

GOVERNMENT THAT WORKS!
NEW JERSEY DEPARTMENT OF THE TREASURY
LOCAL GOVERNMENT BUDGET REVIEW
ATLANTIC CITY

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March, 1996



GOVERNMENT THAT WORKS

OPPORTUNITIES FOR CHANGE

The Report of the Atlantic City Budget Review Team

New Jerseyans deserve the best government that their tax dollars can buy. Governor Christie Whitman is committed to making State government leaner, smarter, and more responsive, by bringing a common sense approach to the way government does business. It means taxpayers should get a dollar's worth of service for every dollar they send to government, whether it goes to Trenton, their local town hall or school board.

Government on all levels must stop thinking that more money is the solution to their problems, and start examining how they spend the money they have now. The State's taxpayers cannot afford to keep sending money to their government. It is time for government to do something different.

There is no doubt that local government costs -- and the property taxes that pay for them-- have been rising steadily over the last decade. Until now, the State has never worked with towns to examine what is behind those rising costs. That is why the Local Government Budget Review Program was created by Governor Whitman and State Treasurer Brian W. Clymer. Its mission is simple: to help local governments find savings, without compromising the delivery of services to the public.

The Local Government Budget Review Program fulfills a promise Governor Whitman made in her first budget address, when she offered the State's help to local governments looking to cut costs. This innovative approach combines the expertise of professionals from the Departments of Treasury, Community Affairs and Education, with team leaders who are experienced local government managers. In effect, it gives local governments a management review and consulting service provided to them at no cost by the state.

To find those "cost drivers" in the City of Atlantic City, the team reviewed all aspects of the local government operation, looking for ways to improve efficiency and reduce costs. The team also documented those State regulations or legislative mandates which place an unnecessary burden on the City, and suggest which ones should be modified or eliminated.

This intensive review and dialogue between local officials and the review team is designed to produce significant insight into what factors are driving the costs of local governments, and provide the necessary tools to bring meaningful property tax relief to the taxpayers of Atlantic City.

EXECUTIVE SUMMARY

The report includes a summary of five strategic issues frequently raised during interviews with representatives and leaders of the community, governmental agencies and city businesses. Opportunities to improve the support services of the municipal government; recommendations addressing the delivery of services to the public; and, a summary of the potential recurring and non-recurring fiscal impacts are also included in the report. Two new proposals for changes in state procedures and regulations are summarized in the final section of the report.

Five issues are summarized in **Section One: Strategic Issues**. They are: (1) the City as an employment and residential center, (2) the impact of fragmentation and segmentation, (3) development priorities and impacts, (4) the role of the local government and (5) the importance of hospitality and goodwill. A common theme throughout the section is the need for consensus and cooperation in pursuing a mutually adopted set of goals and objectives.

Recommendations pertaining to eight support services are presented in **Section Two: Support Service Recommendations**. The effective investment practices of the City are noted in the area of revenue collection and financial management. A concerted effort must be made to accelerate the collection of delinquent taxes. The mercantile licensing function can be simplified and restructured to focus on the mission of public health and safety. Utilization of competitive bidding techniques will do much to reduce labor costs and increase net non-tax revenue. In addition, it is recommended that the cash collection procedures in city hall be consolidated to improve internal controls.

Significant differences and redundancies were found in the purchasing and vendor payment procedures. Recommended changes include placing a purchasing representative in the departmental offices generating the most purchase requests; utilizing computer techniques and electronic verification procedures and separating the vendor payment and purchasing functions to accelerate payments to vendors and improve the internal controls.

Recommendations are made to expand and consolidate the personnel function and place the office under the direct supervision of the Business Administrator. The current system is not effective and it is understaffed. Past incidents of interference in the disciplinary process have compromised management's ability to establish minimum levels of performance and productivity.

The total cost of payroll and benefits is at least 65 percent of the annual operating budget. Recommendations are made to eliminate unwarranted payments to employees and to eliminate excess staff. Recommendations pertaining to specific positions appear throughout the report.

In the area of towing and vehicle auction procedures it is recommended that consideration be given to a competitive bidding or a rotation system utilizing private towing companies to replace the existing in-house system that is not cost effective.

Vehicle maintenance and repair was found to be one of the City's most expensive and least effective support services. Four different vehicle maintenance units were identified. Recommendations are made to consolidate all vehicle maintenance and repair work, reduce the size the fleet, and establish strict systems for the control and accountability of vehicle use, preventive maintenance and repair. The City should either competitively contract the vehicle maintenance function or radically alter the current organizational structure and staffing plan.

The average cost per square foot of building maintenance ranges from \$.57 per square foot under a contract service to \$10.20 per square foot utilizing municipal employees. In addition to changes in the approach to building maintenance, recommendations are made to eliminate specialized HVAC operations in the city hall building through a one-time capital renovation.

The office of the city engineer should be given the responsibility for all engineering management and capital improvements to improve the coordination of capital improvement work .

Section Three: Service Delivery Recommendations, contains suggestions to reduce the cost of government and increase the value of the services.

Recommendations to improve of the fire department include a comprehensive reorganization to eliminate a top heavy structure and expand the mission of the department to include initial response to hazardous materials incidents, first response to specified ambulance calls, consolidation of fire houses and changes in some forms of "incentive" compensation such as education and longevity pay.

Recommendations for delivery of the public works services include elimination of the night shift for refuse collection, revisions to the schedule for refuse collection, control of work time and overtime, and elimination of a number of unnecessary and under-utilized positions. In addition, we recommend that a concerted effort be made to resolve the overlaps in services with the Special Improvement District and creation of a boardwalk utility to control the related costs.

Recommendations are made to control the administrative costs of the municipal library. Issues include the cost of security services, the cost of building maintenance and the cost of redundant insurance coverage. It is also recommended that the cost of benefits for library employees be included in the library budget, and that the budget and purchasing procedure be strengthened to prevent overexpenditures.

The spectrum of health and human services provided by Atlantic City is extensive and unique. Many of the services being provided are customarily a county function. To reduce the burden on the municipal taxpayer, recommendations are made to include the cost of benefits in all grant applications, recover all local costs for grant programs administered in a multi-county region, restructure the funding for the social detoxification center and eliminate redundant services being provided to the senior citizens by the city and the county.

The community development block grant program is a major resource providing services and capital improvements. We recommend that the capital construction component of the program focus on infrastructure improvements beneficial to the local residents. A major effort should be undertaken to resolve the existing problems with the voluntary improvement preservation (VIP) loan program and we recommend that all service or program grants to be monitored closely.

In the final section, **Proposed Statutory and Regulatory Changes**, the civil service protection for the position of council aide is reviewed. The civil service protection associated with these positions results in individuals remaining with the City in other positions when council members leave office. The City has had to assimilate many of these people into departments frequently when there is no real need or vacancy.

A second proposed change acknowledges the unusual circumstances and resulting difficulties associated with the tax equalization ratios in Atlantic County. There has been a continuing debate, often occurring in the process of a tax court proceeding, on the tax equalization process and the casino industry. Accordingly, we recommend the Division of Taxation give consideration to a permanent solution to the problem.

**COMPARISON OF BUDGET APPROPRIATIONS, STATE AID AND THE
LOCAL TAX RATE WITH RECOMMENDED CHANGES IN THE CITY OF
ATLANTIC CITY COST OF GOVERNMENT**

**RECURRING COST REDUCTIONS, RECOMMENDED BUDGET ALLOCATIONS
AND REVENUE ENHANCEMENTS**

Support Services

Restructure mercantile licensing process, pursue competitive bidding where appropriate and reduce staffing accordingly. Recurring savings - **\$185,145**

Increase annual budget allocation for self-insurance fund. Recurring budget allocation - **<\$820,000>**

Restructure towing service by reducing staff or by competitively contracting the service. Recurring savings - **\$120,000.**

Improve utilization of purchasing cooperatives, bid procedures and consolidated purchases to reduce unit costs for goods and services purchased. Recurring savings - **\$1,845,485.**

Competitively contract vehicle maintenance work or alter staffing including consolidation of four vehicle maintenance functions. Recurring savings - **\$1,253,300**

Stop all payment of wages for hours that have not been worked. Recurring savings - **\$680,000**

Automate health insurance records and establish the cost of a managed care plan as the benchmark cost to be paid by the municipality. Recurring savings - **\$839,000.**

Competitively contract custodial services. **\$687,697.**

SUBTOTAL - SUPPORT SERVICES

Recurring savings	\$5,610,627
Recurring budget allocation	<\$820,000>
SUBTOTAL	\$4,790,627

**RECURRING COST REDUCTIONS, RECOMMENDED BUDGET ALLOCATIONS
AND REVENUE ENHANCEMENTS (Continued)**

Service Delivery Departments

Fire Services. Reorganize fire department staffing, transfer selected positions to the county based fire training academy and to the County Prosecutor. Recurring savings - **\$1,726,818.**

Police Services. Reduce number of uniformed officers, transfer selected civilian units to the Department of Public Works or the proposed Boardwalk Utility. Recurring savings - **\$2,580,000.**

Public Works Services. Move selected units to a Boardwalk Utility, revise scheduling of boardwalk unit, eliminate dedicated crew for bulk refuse pick-up, eliminate sanitation inspectors, restructure refuse collection, eliminate excess labor pool. Recurring savings - **\$1,129,587**

Human, Health and Social Services. Recover indirect costs for grant funded positions, recover all costs for grants services occurring outside Atlantic County, reduce costs and pursue alternate funding for the social detoxification program, transfer services commonly offered through county governments to Atlantic County and include direct costs of benefits for the library staff in the library budget. Recurring savings - **\$909,130.**

SUBTOTAL - SERVICE DELIVERY DEPARTMENTS: \$6,345,535

TOTAL

SUPPORT SERVICES	\$4,790,627
SERVICE DELIVERY	<u>\$6,345,535</u>
	\$11,136,162

Total Amount to be Raised for Municipal Tax -1994	\$89,993,342
Recurring savings as a percent of municipal tax	12.37%

Total Budget - 1994	\$135,770,606
Recurring savings as a percent of budget	8.20%

Total State Aid - 1994	\$9,801,193
Recurring savings as a percent of state aid	88.01%

NON-RECURRING REVENUES AND ADJUSTMENTS

Non-Recurring Revenues Due to the City

Improve collection of delinquent taxes by 20 percent. **\$3,000,000.**

Reduce “grants receivable” by one-third. **\$4,015,633.**

Subject to limitations, utilize reserve for law enforcement as an operating budget revenue. **\$187,451.**

Subject to limitations, utilize the reserve for uniform fire penalties as an operating budget revenue. **\$59,165.**

Total non-recurring revenues: **\$7,262,249**

One-Time Adjustments to Strengthen Unrestricted Fund Balance

Transfer balance in special police casino fund to the general fund. **\$528,234.**

Transfer balance in tax sale premium reserve to the general fund. **\$43,583.**

Transfer Public Assistance Trust Fund I balance to the general fund. **\$360,412.**

Total adjustments to fund balance: **\$932,229**

TOTAL NON-RECURRING REVENUE AND ADJUSTMENTS: \$8,194,478

SUMMARY

Net recurring savings	\$11,136,162
Non-recurring revenues, adjustments	<u>\$8,194,478</u>
GRAND TOTAL	\$19,330,640

Total Amount to be Raised for Municipal Tax -1994 \$89,993,342

**Recurring savings, non-recurring revenue and
adjustments as a percent of municipal tax 21.42%**

Total Budget - 1994 \$135,770,606

**Recurring savings, non-recurring revenue and
adjustments as a percent of budget 14.23%**

Total State Aid - 1994 \$9,801,193

**Recurring savings, non-recurring revenue and
adjustments as a percent of state aid 197.22%**

INTRODUCTION

Few American cities have experienced the external involvements that are common in Atlantic City and few cities have undergone the social and structural changes that are continuing to face Atlantic City. Some suggest that as a result of these pressures and external influences the island city has reestablished itself as a cornerstone in the state's tourism industry. Others suggest that in spite of the external influence the City has managed to become one of the most important economic centers in the New Jersey.

Regardless of the array of opinions and viewpoints, the rapid and constant pace of change is one thing that appears to be absolutely certain. The pace of change and the resulting debate regarding the rate of progress may be greater than in any other municipality or region of the state. In April, 1995 Wertheim Schroder & Company published a monograph in which they deplored the lack of non-casino development. In it they stated "The momentum of non-casino development projects has slowed significantly as casino operators, politicians and developers disagree over the focus of certain projects . . . The results of these disputes will ultimately determine the direction Atlantic City takes." ("The Gaming Industry - High Yield Research," April 20, 1995, pages 7-8)

A month later in May, 1995 Saloman Brothers published a monograph entitled "Atlantic City: Worthy of a Second Look." In the introduction the authors suggest the reason for minimal interest in investment in the past has been due to the resilient perception that the City "is not a vibrant growth market." In recognition of this perception the introduction to the monograph concludes by saying:

The purpose of this study is simple: We would like to encourage investors to take a closer look at the facts surrounding the Atlantic City casino market, acknowledge the breadth and depth of change occurring in the region and set aside some of the fears that have inhibited investment in the area. We firmly believe that Atlantic City deserves a second look - and we think you will be pleasantly surprised by what you find.

Overcoming the perception alluded to by Saloman Brothers may be the key to an assessment offered by Mayor James Whelan that "the problem in Atlantic City has always been the gap between the potential and the reality." (Asbury Park Press, May 30, 1995, page A11)

We recognize the tremendous change that has occurred as well as the continuing debate about the next steps to be taken in the revitalization of the resort town, and suggest that there is a significant opportunity to accelerate the rate of improvement in the conduct and operation of the municipal government. This will directly benefit the local residents, the day and overnight visitors, the small businesses and major corporations and quite probably future investors who can do much to close the gap between the reality and the perception. As such, the underlying theme or premise to this report is that Atlantic City is a **"work in progress."**

The review team found that significant progress has been made in many areas within the local government, particularly over the last five years. The dual, and often conflicting role Atlantic City plays as a major tourism destination and as a home to approximately 37,000 permanent residents highlights the need to address a number of strategic issues. A strong argument can be made that even if every possible improvement was made in the local government, Atlantic City will not grow and prosper without substantive change in these strategic issues.

Section One: Strategic Issues discusses five key issues raised by several of the individuals interviewed. These issues are reported to emphasize their importance, to acknowledge the concerns raised during interviews and to call attention to the need to adopt both specific short term objectives and long term goals. A consensus between the taxpayers and the agencies involved in the operation of the City is necessary for additional improvements to be made.

Section Two: Support Service Recommendations, identifies improvements that can be made in the support functions of the local government. While these are the less visible areas of government, they are equally important to its mission. In many respects the clients of the support services are the public employees that actually provide service to the public. When these support services are not responsive to their clients, the quality of services being provided to the public is significantly impaired.

Section Three: Service Delivery Opportunities, addresses the delivery of services to the residents, visitors and businesses operating in Atlantic City. Recommendations range from very specific matters intended to improve internal controls or simplify the governmental process to fundamental questions regarding the basic structure and purpose of a particular service.

Section Four: Proposed Statutory and Regulatory Changes, addresses two proposed changes in state statutes and regulations to enable the City of Atlantic City do a better job of serving the public. These recommendations will be incorporated into a growing bank of ideas and suggestions derived from the completion of approximately twenty other local government and school district review projects.

Where possible the estimated fiscal impact of a recommendation is stated. In some cases the opportunities for additional revenue or for reduced expenditures are recurring while in other cases the potential impact is limited to one year or one transaction. These non-recurring impacts are clearly identified in the fiscal impact summary. The estimate of the fiscal impact is provided in an effort to help the Mayor and Council identify the magnitude of an issue as they develop their plan of action.

It is important to understand that not every recommendation can be implemented immediately nor will every recommendation yield the exact projected result. Revenue estimates and projected savings are intentionally conservative.

Overall the review team found most members of the staff to be quite cooperative. Their candor was appreciated. The frustrations and the attitudes displayed by some were indicative of the need to address several fundamental issues outlined in the section on strategic issues.

Finally, to suggest the local government is the only agency in which substantive change is needed is simplistic and naive. The role and function of the city government is tied to an unusually large number of other local, regional and state agencies. The burden of cooperation and the commitment for constructive change must be shared equally.

SECTION ONE: STRATEGIC ISSUES

During the field work for the Atlantic City review over 150 individuals were interviewed. It quickly became apparent to the review team that the unique and complex nature of public services in Atlantic City was partially due to the number of local, county and state agencies. Given the diversity and complexity that exists it was not surprising that many of those interviewed voluntarily chose to comment on the relationships between agencies as well as the relationship between the various governmental entities, the residents and the businesses.

The review team was told repeatedly that the need to address external or strategic issues was as great if not greater than any need to address matters that would lead to an improvement in the value of local government services or a reduction in the cost of providing those services. Some went as far as to suggest that without attention to key strategic issues there would be little opportunity or likelihood for substantive change and improvement in the local government.

We acknowledge these concerns and believe that they can best be summarized as five strategic issues. The nature of any strategic issue is that it tends to affect the basic character or fabric of community while often being difficult to understand and complex to resolve. Generating meaningful change in a strategic issue normally requires a concentrated effort involving a coalition of leaders, interest groups and viewpoints. We believe the five issues summarized in this section are representative of the interview comments, particularly in that they are essential issues touching on social, economic and governmental elements deserving attention. The five issues are:

- * The City as an Employment and Residential Center
- * The Impact of Fragmentation and Segmentation
- * Development Priorities and Impacts
- * The Role of the Local Government
- * The Importance of Hospitality and Goodwill

Issue One: The City as an Employment and Residential Center

The review team found the City's policy determinations to be significantly impacted by the perceived distinction between its role as an employment center and a residential community. We recommend the City officials acknowledge these distinctions and develop a process which accommodates both priorities.

1. Resident attitude towards those who work in the City but live off of the island. There is no doubt the tourism industry has generated a tremendous number of new jobs. As a labor intensive service industry the preponderance of these jobs do not have highly attractive pay scales, particularly for the entry level positions. In addition, there is the belief that there is no readily accessible long term career ladder for many of the entry level

employees. There is also the perception that a very large number of the jobs at the middle and upper end of the pay scales are held by individuals who do not live in Atlantic City. While this issue is not unique to Atlantic City, as it is a basic reality of most urban employment centers, it is particularly visible in Atlantic City due to the nature of the city's economic base.

We support and encourage the City's efforts to make improvements in housing, shopping and educational opportunities which should help make it attractive for the home buyer to select Atlantic City as their residence of choice.

2. Widely varying opinions regarding the job market. At one extreme is the opinion expressed during some interviews that anyone who wants to work can get a job in Atlantic City within a week. At the other extreme is the view expressed by others that there are no jobs in Atlantic City so there is no motivation to seek employment. The team randomly reviewed the listing of available job opportunities in Atlantic County listed with the New Jersey Department of Labor. In every instance there was an extensive list of openings. Many of the listings required little or no education and experience. The starting wage was at or near the minimum wage. The team also identified over a dozen different job training programs sponsored by a variety of governmental agencies, private businesses and trade unions - among which there appeared to be little coordination.

Many local leaders expect the anticipated expansion in the gaming, hotel and food service components of the tourism industry to facilitate a temporary increase in the pool of promotional opportunities which should in turn expand the pool of entry level positions. They also expect that once this transition has run its course the job market will probably return to a more static condition at a new and higher base. In anticipation of this, it is recommended that consideration be given to establishing public-private partnerships to support programs for city residents already holding entry level positions who have the necessary desire and self discipline to train for supervisory and technical positions senior to those they currently hold. This will not create a larger pool of advancement opportunities but it will prepare those who want to advance. This should enhance their opportunity for upward mobility. Career training should be part of a larger effort to consolidate and coordinate all job training and continuing education programs.

Issue Two: The Impact of Fragmentation and Segmentation

The review team found Atlantic City to be highly fragmented and segmented in the delivery of virtually every service. This was identified as a major deterrent to progress inside the city government of Atlantic City and in the community as a whole. The fragmentation observed by the review team members and identified during many of the interviews is different from, and should not be confused with, the cultural and ethnic diversity of Atlantic City. The ethnic and cultural diversity of the resident population is an asset that will grow in importance as the international marketing efforts of the gaming industry continue to increase.

A good indication of the fragmentation and segmentation that impacts on the operation and development in Atlantic City is the phenomenal number of local, county, regional, state and public not-for-profit agencies operating in Atlantic City. Many of those interviewed described it as the bureaucrat's utopia; others noted the long term sometimes subtle rivalry between these agencies.

There is no publicly reviewed plan or set of goal statements that has been mutually adopted by the major agencies that balances the economic opportunities of tourism with the needs and interests of the permanent residents of the City. It is our observation that all agencies are not pulling in the same direction or considering the impact of their actions on others.

Issue Three: Development Priorities and Impacts

Local and regional media reported the tremendous excitement and opportunity generated by the announcement that a new casino and hotel development has been proposed. Editorially many of these same papers pointed out the equally important development news that a large food store was opening in Atlantic City. In 1996 the 37,000 permanent residents will no longer be forced to leave the City to do their food shopping. Many of those interviewed recognize that this type of development will brighten the future of Atlantic City. The store will help to generate a balance in the local economy, re-establish a sense of community and restore Atlantic City as a popular residence of choice.

Additional efforts are underway to expand the economic base of essential services and consumer goods. As unexciting or unspectacular as these improvements may be, every effort should be made to make these a top priority supported by all the agencies having an impact on the City of Atlantic City.

Progress has also been made in the effort to reestablish consistency in the application of housing, safety and construction codes as part of a larger effort to renew and revitalize the housing stock. A key component of this effort has been the accelerated effort to demolish substandard structures. Some of those who were interviewed interpreted this effort as the first major step in many years to help the low and moderate income residents raise their standard of living.

Consideration should be given to a joint effort sponsored by the City, the Casino Redevelopment Authority and the Atlantic County Improvement Authority, and other relevant state, county and local agencies to eliminate the remaining substandard housing. Because of the progress that has already been made, Atlantic City has the rare opportunity to set the standard for the revitalization of urban neighborhoods in New Jersey.

One explanation given to the review team for the demise in enforcement of the housing standards was the fact that in a soft rental market property owners could not afford to maintain their rent controlled properties. Even if citations or notices of violations were

issued many of the property owners simply could not afford to make the necessary repairs. It was reported that there are currently vacant buildings awaiting demolition because the property owners cannot secure funding for renovations due to the constraints on the rental income that will remain in place after the property is restored. A strong argument is being made that the current rent control restrictions are a factor contributing to the inventory of substandard properties and limiting the housing options of those wanting to live in the City of Atlantic City. Revisions to the ordinance that retain protections for existing tenants while facilitating the renovation of properties can do much to restore the housing stock of the City.

In addition to continuing to address the problem of substandard housing, it is recommended that consideration should be given to leveraging the Community Development Block Grant Funds for the specific purpose of improving roads, sidewalks and storm drainage. The existing CDBG program is lacking in focus and success. This appears to be due to the fact that the maximum allowable funding is spent on optional programming while the balance of funds are dispersed across a wide variety of projects. The strategic decision to undertake and complete specific capital projects rather than dispersing federal grant funds as broadly as possible will yield more success.

Issue Four: The Role of the Local Government

There were deep seeded and fundamentally different views expressed during the interviews on the role of the city government of Atlantic City. These differences appear to have existed for a long time. Some elected officials and community leaders view the local government primarily as a social service agency. To many it is more important to keep large numbers of personnel on the payroll than to improve the effectiveness and efficiency of the governmental operations.

This orientation has created an attitude or culture of indifference among many employees. An usually large number of employees made it abundantly clear that they felt they controlled the process and that they were unconcerned about poor performance or disciplinary sanctions. It was clear to the review team that efforts to establish discipline and minimum levels of performance, particularly in the public works areas, had been repeatedly rebuffed. As long as the attitude and culture of indifference exists among large groups of municipal employees the City's ability to be responsive to the taxpayers will be severely hampered.

It is recommended that the Mayor and Council be steadfast and unanimous in its determination that productivity and job performance are required of every employee. Efforts to involve elected officials in individual performance and disciplinary issues should be rejected immediately by the elected officials themselves.

Many see the Atlantic City local government as excessively overburdened with unnecessary personnel and programs that are not normally the responsibility of a

municipality. The level and type of services to be delivered by a municipality should be a conscious decision by the governing body. The mere fact that a particular service has existed for a number of years is not just cause to continue it. Similarly, the extent to which the Council can require the local taxpayer to underwrite the services or the extent to which the Council can expect state aid to subsidize these functions must be questioned. It would be in the best interest of the Mayor and Council to identify the essential services to be maintained and the optional services that exist as a matter of local discretion. For those services falling into the latter category it is recommended that specific consideration should be given to whether the service should continue to exist and how it should be funded.

Several of those interviewed offered the viewpoint that the local government is excessively oriented to the statewide interests of tourism development and inconsiderate of the programs and services traditionally offered to local residents. The review team did not find this to be the case. The team did note that with the possible exception of the revenues resulting from the lease of public lands, there is no recurring revenue source to the City that can be directly associated with the tourism industry.

Issue Five: The Importance of Hospitality and Goodwill

Many of the business persons interviewed pointed out that as Atlantic City succeeds in its work to establish family oriented attractions, the general profile of tourists coming to the City will change to include more families. As a result, the importance of understanding and using hospitality techniques will grow. Given the tremendous importance of repeat business and favorable word of mouth advertising it makes sense to involve every employee in hospitality and goodwill training. It would be in the best interest of the corporations owning attractions located in Atlantic City to offer this training at no charge to the local businesses and area governments. These corporations have been involved in this training for years and understand how best to convey the importance of hospitality to everyone living or working in a tourism environment.

SECTION TWO: SUPPORT SERVICE RECOMMENDATIONS

REVENUE COLLECTION AND FINANCIAL MANAGEMENT

Collection of tax and non-tax revenues as well as effective management of the public's money is one of the most important support services in every local government. The major components include current and delinquent tax collections; collection of non-tax revenues such as license fees and management of revenues to include grants and federal or state aid. In addition, the proper control and management of dedicated or reserve accounts and banking arrangements is also an extremely important, and often overlooked financial responsibility.

INTEREST INCOME and BANKING.

It is to the credit of the Director of Revenue and Finance and his staff that the City of Atlantic City has earned a significant amount of interest income through management of fund balances and effective use of the investments available to public agencies. Most of the investments were earning interest at a rate of 6.0 percent or better. In addition, it was clear to the review team that consideration had been given to the number and type of bank accounts. In the future it would not be unreasonable to expect this staff to reduce the number of bank accounts further through the use of subaccount controls, sweep accounts and other sophisticated internal control mechanisms. In keeping with recommendations made to other municipalities, it is also recommended that on behalf of the administration the Director of Revenue and Finance solicit written proposals from all the banks prior to making any recommendation for the annual designation of the official depositories. It may be possible to lower the cost of banking more and increase interest income through a competitive process. Nevertheless, the actions already taken are yet another excellent example of the progress being made.

COLLECTION OF TAXES and PAYMENTS IN LIEU OF TAXES

The current year tax collection rate for the City averaged 93.76% from 1990 through 1994. In 1994 the collection rate was 94.25%. Overall, the collection rate is stronger than most urban areas but it is still approximately two percent below the statewide average. A significant portion of the annual property tax billing is paid by the casinos. Timely payments by these corporations skew the collection rate upward. The collection rate among the other businesses and residential properties is lower than the average provided above.

The Collection of Delinquent Taxes. The audits for 1992 and 1993 and the financial statement for 1994 show the year end total of delinquent taxes and tax title liens to be approximately \$20,650,580; \$18,500,271 and \$15,496,378, respectively. The downward trend is another example of progress, but during 1994 the \$12,300,910 collected in

delinquent taxes and tax title liens was offset by the fact that approximately \$9,784,161 was added to the delinquent role.

The importance of pursuing delinquent taxes cannot be underestimated. All the delinquent tax revenue is retained exclusively by the City. The City must pay 100 percent of the property taxes due to the county and the school district in the year these taxes are levied. The school district and the county do not share in the cost or the workload associated with the collection of delinquents taxes nor do they receive any the delinquent tax collections. The delinquent balance of \$15,496,378 represents 17.2 percent of the “total amount to be raised by taxes for support of the municipal budget,” as shown on line 6.b of the 1994 annual budget.

To accelerate the collection of delinquent taxes it is recommended that the vacant positions of deputy tax collector and accountant be replaced with a staff attorney position. The challenges associated with preparation for the annual tax lien sale, establishing the detailed record required to complete a foreclosure for non-payment of taxes and resolving problems before accounts go delinquent are complex and tedious. Some of this work is currently done by counsel retained through a professional service agreement while much of the research responsibility remains with the Tax Collector and her staff. In the best of circumstances it is difficult to complete the research and documentation needed for a tax lien sale or foreclosure case while simultaneously addressing the day-to-day management issues in a tax collection office.

An in-house attorney skilled in the required research and knowledgeable of the statutory requirements pertaining to delinquent taxes and foreclosures would accelerate the process significantly. A recommendation as to whether this should be a permanent position or an assignment for one of the existing staff attorneys can be made by the Administrator. Regardless of the strategy chosen to fill the position, it should be viewed as a full time assignment for an extended period of time. If the Tax Collector needs to utilize an accountant to complete specific tasks such as the computation of a complex tax refund resulting from a tax appeal, the Office of the Director of Revenue and Finance must be prepared to provide support.

The decision by the Mayor and Council to attack this \$15,496,378 problem will probably generate some payments. This should not be viewed as resolution of the problem. A dedicated effort must be undertaken. If the city achieved a 20 percent increase in the collection of delinquent taxes, the year end balance would show an additional \$3,000,000 in “unanticipated revenues.” The salary and benefit cost of a full time in-house attorney would also be partially offset by a reduction in the cost of contracted legal services. A \$100,000 expense for salary and benefits would represent 3.3 percent of the projected increase in delinquent collections. At the time when the city resolves the backlog of delinquent tax accounts there may no longer be the need for an in-house tax attorney. The individual filling this position must then be reassigned or released.

The Collection of Current Taxes. Notwithstanding the tremendous challenge and workload resulting from delinquent accounts, the Tax Collector is continuing to make good progress in improving the day-to-day operations of the tax collection office. The implementation of bar coded bills will do much to accelerate the data entry work needed to record payments properly. It should also expedite the timely depositing of tax revenues, particularly during the peak periods when tax payments are due.

To enhance efficiency further, it is recommended the tax collection office be restructured as the “Revenue and Tax Collection Office.” The duties and responsibilities of the Tax Collector and Municipal Cashier, while unique, can both be housed in one office. The tax collection and cashing functions go through different peaks and valleys in the workload cycle. It will be cost effective to utilize a combined pool of clerical positions to address the peaks in the workload. The cross training in cashing and tax collection tasks would be beneficial to the employees and the number of locations the public must visit to complete a transaction would be reduced. In the future it may be possible to eliminate through attrition two clerical positions. This will yield a savings of approximately \$80,000 in salaries and benefits.

THE COLLECTION OF NON-TAX REVENUES

In spite of the readily accessible location of the Cashier on the first floor in City Hall, many offices in the building collect cash and checks. As noted in the 1994 audit comments prepared by the Ford, Scott, Seidenburg and Kennedy auditing firm the receipt and recording procedures are not appropriate. We recommend that the various unique systems be eliminated by limiting the receipt of non-tax revenue to the office of the cashier. This centralized office would exclude the municipal court and other major offices located outside the City Hall such as the police records section. In these remote offices, computer generated receipt mechanisms should be installed and tied directly to the cashier’s computer thereby creating instant reporting and effective internal controls.

As part of the review of revenue collections, the team looked at the process a citizen or business person must go through to apply for and process an application for a permit or license. It was not uncommon to find that a customer had to visit offices two or more times before finishing the process. This was aggravating to the customer and disruptive to the work flow of an employee who must deal with the same customer repeatedly. It is recommended all permit and license application procedures be simplified to reduce the process to a maximum of two steps. The first step should be the complete processing of the application in the “host” office; be it zoning, planning, mercantile, municipal clerk, etc. If information is needed from another office then that information must be made available through centralized data bases and computer linkages, or the staff must obtain the information on behalf of the customer. It should not be up to the customer to chase down bureaucratic data requirements on behalf of the staff.

The second and final step in the customer process would be to stop at the cashier to make the required payment. A computer generated invoice can be given to the customer by the office issuing the permit or license. The cashier can then match the hard copy invoice to the computer record, receive the payment, issue the receipt and validate the permit or license. Customers who fail to stop by the cashier can be easily identified as their permits or licenses would not be validated. At the end of the day the amount charged can be compared to the amount collected. The individual assessing the charge is not the person collecting the money or writing the receipt. The individual posting the receipts is not necessarily the employee receiving the revenue. This division of responsibility serves to protect the integrity of the employees while helping the municipality establish strong internal controls. During 1994, the City collected approximately \$3,202,278 for licenses and permits. This total does not include parking meter revenue (\$463,178), fines (\$1,576,779), rents (\$1,335,164.10), refunds received (\$185,215), towing fees (\$353,502) or clinic fees (\$39,264). The amount of non-tax revenue collected is sufficient cause for the need to establish effective internal control procedures.

The City of Long Beach, California recently completed a highly successful transition to a simplified permitting and licensing process. Long Beach is similar to Atlantic City in that it is a coastal tourism destination. Until the Long Beach employees were asked to go through their own permitting and licensing procedures most of them did not realize how complex, tedious and aggravating it was. When the review team asked Atlantic City staff members to outline the sequence of steps required to process an application for a permit or a license nearly everyone grossly understated what had to be done. This may explain why many employees could not understand the confusion and frustration expressed by their customers. It is strongly recommended representatives of the City of Atlantic City contact the Office of Strategic Management in the City of Long Beach, California to learn about their effort to make the permit process more user friendly and cost effective.

Simplifying the permit and license application process will address several concerns raised in the recently completed "Business Retention and Expansion Program" survey sponsored by Atlantic City Chamber of Commerce.

Mercantile Division Non-Tax Revenues. The work of the mercantile division can be described best in terms of its three main functions - administrative processing of Licensed Mercantile Business Operators and other licenses, field inspections and mercantile patrols. The field inspection and patrol functions are often combined. Overall, the review team found the entire mercantile process to be inefficient, ineffective and costly to the taxpayers.

The cumbersome local ordinances, disorganized office procedures and erratic field work made it difficult for the review team to identify all direct and indirect costs. Nevertheless, based on the information collected, it is reasonable to suggest the mercantile licensing function may not be covering its costs notwithstanding collections totaling \$863,985 in 1994. The actual cost of wages, pension contributions and premium payments for direct benefits was approximately \$590,830. The value of indirect benefits such as vacation and

sick leave was approximately \$102,180. If the cost of operation, including items such as printing, publishing, vehicle use, and any litigation resulting from licensing or enforcement actions exceed \$171,000 the mercantile expenses appear to exceed their revenues. In addition to the potential drain on the taxpayer, we would seriously question whether there is value to the service being rendered in its current form.

The \$863,985 collected in the mercantile office represents 27 percent of the City's non-tax revenue. It was derived from the cost of obtaining or renewing twenty nine different types of mercantile licenses. During 1994, 2,652 "licensed mercantile business operator" or "LMBO" licenses were issued generating approximately \$499,275 or 58% of the mercantile division revenue. For the most part LMBO licensees are fixed location retail businesses. The balance of the revenue was generated from issuing a total of 3,210 licenses in 28 other license categories for everything ranging from dry goods to phrenologists. Included in this are the hot dog vendors, and their "ghost vendors" who became part of the local folklore as a result of the Superior Court decisions resulting from the "hot dog wars."

Licensed Mercantile Business Operators - Every business must be visited before a license can be issued to categorize the type of goods sold in a store. One retail store selling stationery and another retail store selling furniture would both need an LMBO license however they will pay a different fee. If a third store sold stationery and furniture it would pay yet a different LMBO fee. Neither line of products is commonly considered to be a risk or hazard to the public. Basing a fee on the products sold creates a tremendous workload, can become highly subjective and it appears to serve little or no public purpose. If the mission of the division is to protect the public and to recover its cost for providing this service it is not readily apparent in the LMBO license process.

Atlantic City has no useful computerized records of licenses or inspections. This makes the LMBO renewal process extremely cumbersome. It is impossible for the staff to maintain an accurate business census for the purpose of projecting future revenues, spotting violation patterns or establishing strategies for random or targeted follow up inspections.

One of the reasons for the changes in Long Beach, California, and a key element to their success, was their ability to refocus on the mission of public safety. They have implemented a system where most licenses can be issued within thirty minutes. The more complex licenses can be issued in two working days or less. The entire system is directly based on the potential for harm or risk faced by a customer visiting a business. Every type of business is categorized through a screening process into a "minimal," "moderate" or "substantial" risk group. The frequency of mercantile, public health and fire safety inspections in Long Beach is based on the risk category as well as the record of past inspections. In low and moderate risk businesses one inspector, who has been cross trained, completes all the required inspections. In businesses defined as a high risk, all inspections are done at one time by a team.

It is recommended Atlantic City streamline the LMBO licensing process to reduce the field work requirement and refocus on the mission of public safety. It is also recommended a computerized software and data base system be established to (1) permit electronic storage of license and inspection histories by specific business, business type and location; (2) generate renewal applications; (3) permit information exchange between municipal departments, and (4) generate invoices tied to the cashier's software system.

Other Mercantile Licenses. Many of these license categories appear to be more closely associated with the mission of protecting the public. 2,376 licenses were issued for transportation services and 602 licenses were issued for food vending. The food vending licenses are issued in addition to the required health permits. 488 or 80% of the food vending licenses were issued to hot dog vendors, many of whom never work for the owners of the food carts. The two step process of issuing a temporary and permanent taxi driver licenses adds to the staff workload. In addition, the requirement of licensing a business owner and the employees of the same business is duplicative, time consuming and unnecessary.

For example, in 1994, 434 temporary and 510 regular taxi licenses were issued. While the record keeping system does not lend itself to analysis, members of the mercantile staff suggested most recipients of temporary licenses also apply for regular licenses. In the same year 70 limousine owners were licensed at an average fee of \$1,000 while 409 limousine drivers were licensed at an average fee of \$100. Unlike taxicabs and the boardwalk roll chair operators who may directly solicit their fares from the public, limousines are dispatched in response to a reservation. The client frequently knows the total fee before the trip begins. Given these conditions there is no readily apparent need to license every limousine driver individually. It is not the responsibility of the City of Atlantic City to ensure drivers have the requisite commercial drivers license. The City has no obligation to manage or control this work force through the licensing process. If there is need to track the limousine drivers then the process should be restructured so the responsibility of registering the drivers rests with the owners of the limousines. It would be far more efficient and effective to work with the seventy registered owners.

It is recommended that the licensing of employees not directly soliciting business from the public be eliminated. Mercantile licenses for limousine and tow truck drivers are examples of licenses that can be eliminated. Eliminating the need to handle 946 limousine driver, tow truck driver and temporary taxicab licenses would reduce the other license workload by approximately 29 percent.

It is also recommended all temporary licenses be eliminated, particularly when a background and driving record check is required. The importance of a complete background information and drivers license check as well as the police department's time and cost cannot be underestimated.

The workload and revenue associated with the licenses discussed above pales against the lost revenue opportunity and the challenge of handling 488 hot dog vendors. As a result

of the “hot dog wars” case which resulted from actual raids on vending sites, the Superior Court established a complex system of rotation of vending sites. To circumvent parts of the court decision owners of vending carts actively recruit and pay veterans to obtain vending licenses on their behalf. Under current state statutes, veterans are exempt from paying for a vending license. Veterans agree to obtain a hot dog vendor license and then turn it over to representatives of the vending companies who in turn pay them for their time and effort. The veterans become “ghost vendors.” Members of the review team observed veterans being paid in the lobby of City Hall for obtaining a vending license. Both veterans and vending company representatives were open and willing to acknowledge these transactions.

According to sworn testimony in the superior court case, several of the vending sites generate thousands of dollars in sales every day. Fifteen sites are projected to average \$3,000 per day. That revenue for seventy five days would produce a gross income of \$3,375,000. All of these sites are in the public right of way, commonly on sidewalks in heavily traveled areas near the casinos. The vendors are using public property to conduct private business. In 1994 the public, as represented by the mercantile division, received \$33,900 or 1 percent of the gross revenue cited above for the right to use public property.

It is recommended the entire hot dog vending process, and any other vending process using the public rights of way, be restructured as competitive bids resulting in the awarding of a limited number of concession contracts. This would include at a minimum, ice cream vendors, public telephones and food or soft drink machines. During 1995 the City identified over sixty soft drink and snack vending machines in municipal buildings or in the public rights of way for which no fee had been paid and no license had been obtained. In fact, the proceeds from many of these machines were going to employee organizations such as the local chapter of the PBA. The precedent for bidding vending rights can be found at every rest stop along the Garden State Parkway and the New Jersey Turnpike. Atlantic City could establish a minimum acceptable bid and other conditions in the bid specifications pertaining to sites, licensing, “ghost vendors,” etc. Based upon the hot dog vending scenario, a flat fee bid equivalent to 10 percent of the gross income could yield \$337,500 for the municipality. The strategy would also result in another 15 percent reduction in the other license workload.

Field Inspections and Mercantile Patrols. Field inspections and mercantile patrols are not coordinated, futile for the most part and unnecessarily overlapping with standard law enforcement procedures. Inspectors are on duty seven days per week, 16 hours per day. Review team members were told that the main purpose of the patrol work is to spot businesses that are not licensed and to spot illegal peddlers and vendors, particularly along the boardwalk. In effect they are mercantile “police.”

Each inspector operates independently. The staff uses five cars and four bicycles. There are no patrol sectors or tactical points of emphasis as commonly found in a well managed police patrol operation. Illegal vendors, commonly referred to as “pocket vendors,” who

approach individuals on the boardwalk were observed avoiding contact with inspectors by stepping into the lobby of casinos or other buildings fronting on the boardwalk.

In an effort to assess the utility of the patrol work, the review team analyzed the number of citations issued by the inspectors from their written reports. During a six month review the inspectors averaged about one citation for every two shifts. Each shift averages four inspectors. It is recommended the responsibility for patrolling to prevent or stop itinerant and illegal "pocket" vendors be permanently re-assigned to the Atlantic City Police Department. Enforcement of local codes, particularly those related to maintaining order and public safety is a standard law enforcement function. In addition to improving enforcement of the local ordinances, increased police visibility along the boardwalk contributes tremendously to the goal of improved hospitality and responsiveness to the tourists, local residents and taxpaying businesses.

Reorganization and Restructuring - Reorganization of the mercantile process must include a review of the staffing requirements for the division. There are currently seventeen administrative and field positions. After the transition to a simplified, mission oriented process is complete, it may no longer be necessary to retain the same number of positions. The average cost of an inspector is approximately \$50,000 per year.

A revitalized and focused mercantile function is only one part of the city's public health and safety program. It is recommended the health permit and inspection function be combined with the mercantile function. Restaurateurs, mobile food vendors, and stores selling food products now have to deal with two separate bureaucracies to obtain their permits and licenses. There is no coordination of the scheduling of health and mercantile inspections nor is there any routine exchange of information on violations or compliance efforts.

We also recommend that the fire safety inspection specialists be operationally assigned to the restructured license and permit function. Recommendations outlined in the fire department section of this report call for the extensive use of fire station personnel to assist in completing the life hazard and non-life hazard inspections. The need to coordinate inspection activities and to utilize specialists in certain situations, particularly if consolidated inspection teams are developed as recommended warrant placing the fire inspectors in this restructured unit.

The proposed consolidation will provide one central point for processing recurring licenses and permits; coordinating the recurring inspection requirements; facilitating the cost effective development of a comprehensive and useful data base; facilitating the cross training of inspectors; and, fostering the formation of joint inspection teams.

THE MANAGEMENT OF GRANT RECEIVABLES

On December 31, 1994 the schedule of grant receivables contained in the audit showed a total of \$5,506,392. In 1989 the balance due was \$1,865,160 and it has increased every

year since then. The total amount due as of December 31, 1994 can be summarized using the following categories:

Due from Atlantic County:	\$118,281
Due from the Federal Government:	\$ 90,000
Storm Disaster Aid (FEMA)	\$687,857
Due from State - programs/services	\$2,079,965
Due from State - capital projects	<u>\$2,530,289</u>
TOTAL	\$5,506,392

The audit also contains a separate schedule showing a Community Development Block Grant receivable of \$6,540,512, which is \$1,215,084 higher than the preceding year. Overall, approximately \$12,046,900 is due to the City from various grant programs. Over one third of the total is due from the State of New Jersey.

The regulations of nearly every major grant program stipulate a municipality must first incur the expense for an approved program, service or project and then petition for reimbursement. The process frequently results in a receivable on a municipality's books.

The considerable growth of the receivables is an indication that grant management must be addressed. Included in the list of receivables are New Jersey Department of Transportation project grants dating back to 1988. The review team could not determine whether the specific project has been completed, reimbursement requests had been submitted or whether there was a lag in receiving the reimbursement from the State as the necessary records were not readily available to the review team. The management of grants is completely decentralized. The day-to-day challenges of the line departments providing direct services to the public appear to overshadow the need for a concerted, detailed follow up effort on every grant.

To address this developing problem it is recommended that within the Finance Department, the position of "grants manager" be established. The position should be filled from within the pool of existing employees. The responsibility for soliciting and writing grant applications can be retained in the line departments but the task of compiling the expense records and submitting reimbursement requests should be centralized within the Office of Revenue and Finance.

It is difficult to calculate the extent to which aggressive reduction of the grants receivable would result in a reduction in the tax rate. If the receivable were reduced by one-third, the City would receive approximately \$4,015,633.

THE MANAGEMENT OF GENERAL and TRUST FUND RESERVES

As the trustees of the public's money, the City must ensure that it is properly prepared to meet all the financial liabilities resulting from invoices and bills for authorized goods and

services and for approved contracts extending beyond the end of the fiscal year. At the same time, as a public corporation, the City must ensure that it does not hold an excessive amount of money “in reserve.” If this occurs corrections must be made to return the money to the public by releasing it from reserve and permitting it to become part of the City’s unrestricted fund balance. The unrestricted fund balance can then be used as an operating revenue in the budget in the upcoming year(s).

The review team identified eight reserve or dedicated funds deserving particular attention. The circumstances surrounding each one is different and as such they must be considered separately.

A. Schedule of Payroll Deductions Payable. The year end balance in this special account has increased from \$635,130 in 1990 to \$1,341,443 on December 31, 1994. In each of these five years the total amount deducted from employee payroll checks exceeded the amount dispersed. This is a very significant issue which must be thoroughly reviewed and analyzed by the City. The employees’ deductions must be credited to the appropriate accounts on a timely basis and any surplus returned to the appropriate fund.

B. Schedule of the Reserve For Unemployment Compensation. As unemployment expenses are incurred the state bills the unemployment compensation fund for reimbursement. If the billings exceed the amount available in the fund the difference must ultimately be absorbed by the taxpayer. The year end balance in 1994 was \$186,712. It is recommended that the staff complete an analysis of the expenditure patterns and contributions to the fund to determine whether the appropriation can be adjusted downward or whether it must be increased.

C. Schedule of Reserve - Special Police Casino Fund: The balance in this reserve account has grown from \$213,287 on December 31, 1991 to \$528,234 at the end of 1994. The money is derived from the city’s portion of the billings to casinos for the special assignment of police officers. The 1994 audit also shows a receivable due to the City of approximately \$226,618. While the advisability of continuing this program is discussed in another section of this report, the fact remains that there is at least \$528,234 that can be used as a revenue in the budget to offset the municipal tax rate. It is recommended that the fund balance at the end of the year be automatically transferred to the unrestricted surplus of the City. It can then be used as a revenue to help offset the municipal tax rate in the following year. The 1995 municipal budget did not make use of this revenue resource.

D. Schedule of Premiums Received At Tax Sale: The balance in this reserve accounts has been \$43,583 for at least the five years. There does not appear to have been any increase or decrease to the account balance during any of the five fiscal years. As such, the continued existence of this reserve account must be questioned. Barring unforeseen reasons to maintain the account, it is recommended the account be closed and the balance be transferred to the unrestricted fund balance of the City.

E. Public Assistance Trust Fund I. When the State changed the method of reimbursing municipalities for the cost of general assistance welfare payments the state directed that a new, dedicated fund be established. This fund is commonly known as the Public Assistance Trust Fund II. Under the old reimbursement system a municipality issued checks to eligible recipients and then petitioned the state for a 75 percent reimbursement. These reimbursements were deposited into the old PATF I. The balance in the old PATF I account may be available to the City.

With the change in welfare payment procedures and the creation of the new PATF II account, most municipalities have made use of the PATF I account to manage social security reimbursements. The year end balance in the PATF I account shown in the 1994 audit was \$369,701. The year end balance in 1991 was \$360,412. The reasonably consistent balance would suggest that much of the revenue was derived from welfare reimbursements. It is recommended that the City make application to the State of New Jersey Department of Human Services for release of these funds.

F. Reserve for Self Insurance Fund. The year end balance of the Reserve for Self Insurance was in excess of \$3,200,000 from 1989 through 1992. By 1994 the balance had dropped to \$388,206. Part of the decline is due to the fact that in 1993 an adjustment was made in the fund balance by allocating \$1,681,226 as a revenue in the budget. The level at which this reserve should be maintained is closely tied to the patterns of claim payments and the amount allocated in the annual operating budget. Outlined below are the annual budget allocations and the insurance disbursements in each year. The final balance is impacted by other factors such as third party reimbursements, encumbrances, etc. Nevertheless, the comparison of the annual budget allocation to the insurance disbursements is a useful measure of the extent to which the reserve has had to be used.

<u>Year</u>	<u>Budget Allocation</u>	<u>Insurance Disbursements</u>	<u>Difference</u>
1990	\$3,109,195	\$2,371,269	\$737,926
1991	\$2,572,135	\$2,669,772	<\$97,637>
1992	\$2,526,891	\$3,370,570	<\$1,113,679>
1993	\$2,259,547	\$3,704,898	<\$1,445,351>
1994	\$3,223,885	\$4,059,859	<\$835,974>
AVG.	\$2,738,306	\$3,235,273	<\$496,967>

In four out of the five years summarized above, the budget allocation did not cover the insurance disbursements that were made. Barring indications that the annual payment of claims will drop significantly, it is recommended the annual budget allocation be increased to a level at least equal to 125 percent of the five year average of insurance disbursements. This would require a budget allocation that is approximately \$820,200 larger than the 1994 allocation. The analysis provided above does not incorporate the impact of contracts encumbered or subsequent encumbrances canceled. The Director of Finance may wish to adjust the five year average by including these two important factors. The City should

consider an immediate program to reverse this under appropriation by increasing the appropriation over a three to five year period.

G. Schedule of Reserve For Law Enforcement. Subject to some precise guidelines managed by the county and federal prosecutors, state and federal statutes permit law enforcement agencies to seize cash and assets used in the commission of a crime or derived from the proceeds of a criminal act. When the courts approve the seizure of an asset the resulting funds must be initially deposited into this dedicated fund. The proceeds can then be used for specified law enforcement expenditures which would otherwise be part of the operating expenses of the police department. On December 31, 1994 the Reserve For Law Enforcement fund balance was \$187,451. Subject to the approval of the county and federal prosecutors, it is recommended the year end fund balance be allocated as a non-tax revenue in the subsequent budget year for support of law enforcement activities.

H. Schedule of Reserve for Uniform Fire Penalties. Every year the municipality receives revenue from the payment of fines assessed by the Fire Official for violation of fire safety regulations. These revenues must be placed in the Reserve for Uniform Fire Penalties. The year end balance on December 31, 1994 was \$59,165. It is recommended the year end fund balance be allocated as a non-tax revenue in the subsequent budget year in support of the fire protection budget.

THE PURCHASING AND VENDOR PAYMENT PROCEDURES

The work of the purchasing section directly affects the ability of the operating departments to provide services to the public. Without a responsive purchasing system there is little chance that standard public services can be delivered with any degree of quality or consistency. In addition, the extent to which the purchasing group is effective impacts on the total expense incurred each year for contracted services, operating supplies and capital purchases. Similarly the accuracy and timeliness of the payment process will impact the price the City pays for a particular good as well as a vendor's willingness to do business with the City.

Based upon interviews with members of the City staff and vendors, as well as analysis of randomly selected purchasing and payment records, the review team developed the following assessments and recommendations:

A. The City makes little use of its buying power. The 1994 audit lists 36 bids that were requested during the fiscal year. Fourteen bids were for services, sixteen were for products ranging from vehicles to uniforms and six were for capital projects. According to the purchasing agent 53 sets of bid specifications were prepared during the year. Absent from the audit list of executed bids were many basic items essential to the operation of nearly every municipal department. The City did utilize state contracts extensively in 1994.

We believe the City exceeded the mandatory bid limit in many supply and material categories. The opportunity to use the competitive bid process to generate competition which is ultimately beneficial to the taxpayer was not used to the fullest extent possible. Neither the auditor or the review team can definitively establish a violation of the local public contract law as "the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies." (1994 Municipal Audit, page 179).

In 1994 the total "other expense," as measured by the sum of the "paid or charged," "encumbered" and "reserved" categories listed in the audit was approximately \$36,849,700. A 5 percent reduction in the costs through improved use of the city's buying power would yield savings of approximately \$1,842,485 or nearly three cents on the municipal tax rate.

B. The purchasing process is not "user friendly" and fraught with unnecessary redundancy often resulting in excessive delays. Perhaps the most telling indicator of the problems in the purchasing system is that the description of the process provided by each of the line departments was different. The review team investigated the differences in the explanations and found they were attributable to actual differences in the purchasing system. The purchasing staff felt these differences were justified, based upon their assessment of the administrative skills within each department. After watching and discussing the process for an extended period of time the only discernible reasons for a

difference in procedure were driven by personality and personal attitudes. Generally, the proposed quantity, vendor and unit price submitted by the police and fire departments were accepted without question and processed promptly while similar information provided by the human services or public works departments was routinely challenged.

When members of the purchasing staff were asked how they measured their own effectiveness most suggested the best measure was the number of purchase orders processed. In 1994 there were approximately 7,200 requisitions filed by the departments. Approximately 5,950 purchase orders were issued. There was no indication that the purchasing staff was sensitive to their clients, i.e., the operating departments, or to the opportunity to minimize costs through sound purchasing mechanisms.

Two specific procedures within the purchasing system are indicative of the problems and attitudes described above. First, it is common for the purchasing staff to reject a departmental requisition unless it is absolutely complete, particularly if it is from the public works or human service departments. The review team observed cases where a telephone call to a vendor or to the requesting department would have been sufficient to obtain the missing information thereby permitting the requisition to go forward. It is estimated that each rejected requisition adds two to five working days to the purchasing process.

It is also standard procedure to require the operating departments to prepare and submit a second, supplemental requisition if the vendor's invoice is different from the amount shown on a purchase order due to shipping charges, etc. While it is necessary to document and account for changes between encumbrances and payments, this is an administrative burden that should not be the primary responsibility of the departments attempting to provide services to the taxpayers. This process adds to the overall workload by creating two purchase orders for a single transaction. This additional step contributes to a delay in sending full payments to the vendors.

Unnecessary Redundancy. At least four major redundancies commonly occur in the purchasing and payment process. The separation of work functions to ensure internal controls is certainly appropriate. However, none of the redundancies appear to contribute to the internal control or sound management of expenditures.

During the review of purchase orders the team found several examples of consecutively numbered purchase orders being issued for identical items. The products were all requested by the same department, charged to the same budget line or expense code and delivered to the same department when they were obtained. When asked why one purchase order was not prepared the staff suggested the purchase request came from the department "that way," or that it was easier to keep track of purchases and vendor payments this way.

The review team found that these repetitive purchase orders actually add to the workload and contribute to confusion over timely payments to the vendors. The current software system does not appear to be configured to handle one payment for multiple purchase

orders. As such, the redundancy generated by the repetitive purchase orders is repeated throughout the system by the production of individual checks for each purchase order.

Every purchase goes through three separate screenings. A requisition can be rejected at any point in the process. The team found this contributed to tension between offices as there is resentment over perceived “meddling” by others. Specifically, the office of the business administrator reviews and approves requisitions, the purchasing staff also reviews them and the controller does the same thing. The role of the finance staff should be limited to certifying the availability of funds and processing the accounts payable. The finance staff should not challenge the decision of a department, or the approval of the administrator, to make a purchase.

The office of the business administrator must approve a requisition and then approve the same transaction a second time before a vendor can be paid. If there is cause to deny or delay payment to a vendor the staff most likely to know of those issues are the operating department that ordered the product or service.

Depending upon the department of origin, one transaction may generate up to six different documents. Two departments prepare their requisitions manually. This information is then entered into the data system to generate a computerized requisition. Finally, a purchase order is created. Again, if there is any discrepancy between the encumbrance and the actual invoice another requisition and purchase order are created. Modern software systems in use throughout New Jersey municipalities have permitted the use of one document for requisitions, purchase orders and records of payment to vendors without any loss of control or security.

Excessive Delays. The review team members assigned to the public works function identified a serious problem in the repair and maintenance of vehicles owned and operated by the City. The team found a major component of the problem was the excessive delays in obtaining common repair parts. The team randomly selected 22 vehicles and tracked the purchasing process for parts needed to return these vehicles to service. The oldest vehicle included in the sample was a 1985 Dodge Caravan needing a new radiator.

On average these vehicles were out of service for 38 calendar days from the date of the purchase requisition. It took an average of 20 calendar days to receive an approved price for the requested part. The parts requested included items such as a water pump (7 days), muffler and gasket (21 days), carburetor (17 days), brake shoes (23 days), fuel pump (42 days), radiator (28 days), A/C belts (37 days) and a heater core (41 days). In half of the cases it took longer to get an approved price than it did to complete the purchase order, obtain the part, complete the repair work and return the vehicle to service.

To understand fully the significance of this problem to the operating departments and the public expecting service, we offer the following:

If 350 out of the 585 municipal vehicles need one repair per year requiring the purchase of a part 13,300 “vehicles days” would be lost in a year. This is equivalent to having 36 vehicles out of service for an entire year. The suggestion that 350 vehicles may need one repair per year is not unreasonable given the age of the vehicle fleet. In many of the cases described above the public works staff had identified a proposed vendor and a price for the required part yet different vendors were frequently used, often at a higher unit price. Clearly, this process needs immediate attention and reform.

C. The purchasing process is lacking in focus and sound internal controls. Notwithstanding the repetitive screenings described above, orders from members of the governing body bypass the review process and are automatically processed. As an department spending the public’s money, the governing body should insist that their requests for purchases are treated no differently than any other request. It may also provide the impetus to make the entire process more effective and responsive.

In many public and private agencies once a product or service has been ordered it is customary for the accounts payable staff to assume control and responsibility for all future transactions. This precludes anyone from having a regular role in both purchasing and payments to a vendor. In Atlantic City the shipping or delivery receipt and the vendor’s invoice are collected by the purchasing staff. This packet is re-submitted to the office of the business administrator for re-approval. After this transaction the documents go to accounts payable for processing of the payment. The need to involve the purchasing staff in the process after a purchase order has been issued and the need to involve the business administrator a second time, unless there is something unusual or different, must be questioned.

Two recurring themes were identified amidst the tangled web of procedures for purchasing goods and paying vendors. First, there is an unnecessary upward delegation in the approval process. The city’s chief administrative officer should not be expected to review and sign every purchase requisition. The business administrator has the right to spot check purchase documents or require the preparation of a purchasing summary for review. The Mayor, council and the business administrator also have the right to require accountability and responsibility for purchases from the senior staff.

Second, there is little understanding or respect for the various roles and responsibilities of each department. For example, the finance office becomes unnecessarily involved in the number and type of products being purchased when it should focus on certifying the availability of funds and reducing the delay in getting vendors paid. The operating departments do not plan or anticipate their needs which contributes to the volume of purchase orders and the difficulty of effectively using buying power. The purchasing staff becomes unnecessarily involved in procedures and decisions more appropriately handled by others. A very simple example of this breakdown was a request by the public facilities division for two gross of large, heavy duty trash bags to be used by crews to pick up litter and other trash. The division received two boxes of trash bags at a lower unit price -

capable only of holding a very small amount before tearing. The purchasing process was repeated only to yield the same result.

In general, there appears to be more concern about bureaucratic detail and the accuracy of paperwork than on the goal of expediting the delivery of services to the public through the provision of goods and services obtained at the lowest possible prices.

D. There is no effort to analyze and understand purchasing patterns and trends. As noted in the quote from the 1994 audit, the records system does not lend itself to identification of common goods and purchases. Nevertheless, there has been no attempt by the staff to identify consumption patterns. When asked why there was no effort to buy common items in bulk the staff consistently mentioned the lack of warehouse. The City should pursue bulk purchases using staggered delivery dates or pursue a small initial purchase coupled with guaranteed unit prices for future purchases.

E. The review team agrees with the view held by many staff members that the purchasing system does not work. A comprehensive restructuring of the roles, responsibilities and procedures is needed. To that end the review team offers the following general recommendations:

1. Consider reorganizing the purchasing staff by assigning one “buyer” for public works, one buyer for the public safety departments and one buyer for human service functions. Although these positions should remain under the supervisory control of the purchasing agent, it may be more effective to place the individual in the office of each department head. In the case of the public safety agencies the buyer could be located in the new fire services office space in the city hall. It would be effective to rotate these buyers annually to ensure consistency in procedures, familiarity with the type of services and products purchased and additional certainty that all transactions occur at arms length.

2. Redefine the responsibility of the department heads and other key personnel in the review process. If a department head is to be held accountable for productivity and for effective performance within the approved budget, then that person should have reasonable authority to initiate purchases. The limits of authority can be defined in terms of dollar limits or types of products and services purchased, or both. The purchasing department buyer located in the department can ensure proper utilization of public purchasing procedures and timely processing of requests.

3. Separate the workload and responsibility for obtaining products and paying vendors as much as possible. In addition, the role of the finance staff should be limited to certifying the availability of funds, ensuring the fixed assets inventory is updated when capital purchases are made and vendors are paid as quickly as possible. Departments must anticipate their needs more effectively to reduce the volume of requisitions, and the purchasing staff must develop more effective criteria for determining when to accept or reject the recommendations of the operating departments.

4. Conduct an analysis of purchases over a one, two or three year period to identify quantities consumed and bulk purchase opportunities. In addition, the City should actively participate in existing cooperative buying systems. We recognize that this means the City must accommodate the scheduling requirements of the cooperatives. The City makes very little use of the cooperative buying system already in existence within Atlantic County. Cooperation between public agencies has repeatedly been found to generate competition between private vendors resulting in reduced unit prices. This is an excellent arena for intergovernmental cooperation. The active involvement of Atlantic City will benefit the local taxpayers while also helping the smaller communities in the County.

5. Improve the automated purchasing procedures. The City should consider disposing of the current system and replacing it with one of the many existing software packages for municipal governments. There is no need for Atlantic City to pay for the development of its own system. There are several systems that can be tied directly to the budget and to accounts payable functions. In addition, security systems exist to permit electronic verification and electronic approvals of transactions thereby reducing the movement of paperwork. Electronic verification of the availability of funds, automatic encumbrances, automatic batch preparation of the payment of bills lists and preparation of the check needed to pay a vendor will accelerate the payment process significantly.

Improved automation and utilizing decentralized buyers placed in key locations will increase the speed and accuracy of the entire purchasing and payment process. It will also generate better internal controls and a computerized data base readily usable for identification and analysis of purchasing trends and patterns.

6. Eliminate discussion of a warehouse, unless it is developed and controlled as part of a much larger cooperative purchasing system. The cost of operating a warehouse will, in all likelihood, eliminate the savings resulting from single delivery bulk purchases. There are other, more effective ways to generate reductions in unit prices.

7. Aggressively re-orient the attitude and performance of the purchasing staff to include a focus on customer service and cost reduction. Locating key staff in the offices of the operating departments will facilitate this immeasurably.

THE PERSONNEL FUNCTION

The personnel office of the City is staffed by one management position, one supervisory position and three clerical positions. The small staff does not and cannot perform many of the functions normally associated with a public personnel office. For example, there is no effort to organize, conduct or maintain records of training. The review team found it difficult to develop a salary history on a small list of employees randomly selected from the rosters of different departments. Data on the number, type and status or outcome of disciplinary actions and grievances was not readily available, and there are a number of unresolved civil service issues.

Two of the five positions in the personnel office are assigned to the record keeping associated with health benefits. This leaves three positions to conduct all of the personnel business of the City. Given the employment of approximately 1,700 full-time and 200 seasonal or part-time employees, several collective bargaining units and highly specific recruiting and testing procedures for public safety employees, particularly in the Fire Department, we believe it is not possible for this staff to perform their work effectively.

It was suggested to the review team that Atlantic City has had a history of weak personnel management. It is clear the lack of a well run, professional personnel function preceded the appointment of the current Director as well as the current administration and council.

Regardless of the reasons for its existence, the weak personnel function adds to the overall cost of government. The personnel function is often defined as one of the essential cost saving or cost controlling components of a public agency management team. Given that salary and benefit costs represent at least 65 percent of the annual operating expense of the City, it is in the best interest of the taxpayer to control carefully and closely monitor all aspects of personnel management. The following are a few examples of the impact of ineffective personnel management:

- A very large number of employees are working “out of title” on a regular basis. The exact number could not be determined. It is estimated to be as high as 15% of the staff. According to existing municipal regulations the Council must specifically approve out-of-title pay per position before it can be implemented. This does not appear to have occurred in most cases. Not only does this cost the City additional wages, it is indicative of the fact that there has been little or no effort to complete job classifications or review the proper staffing requirements of an office. The total annual cost of “out of title” compensation is at least \$200,000. Given proper management and control it would not be unreasonable to project this expense can be reduced by at least \$75,000.
- There is no recurring analysis of overtime expenditures. While the day to day control of overtime rests with the department directors, the need to collect this data routinely and identify overtime patterns is an essential management tool. During the review, we reviewed the need to staff the HVAC system in city hall 24 hours per day. We were

able to resolve this matter successfully with the Business Administrator and significantly reduce overtime and operating costs.

- The review team found that payroll reporting procedures varied from department to department; a time clock was punched regularly in one department but the time cards were not used for payroll purposes; and in some cases employee absenteeism was not properly recorded as sick leave or vacation. Again, while the day to day supervisory responsibility rests with the department heads the internal control and management mechanisms should be part of a strong personnel department.
- The enrollment data for employees in each of the various health benefit programs is maintained manually. It was practically impossible to verify the accuracy of these rosters. The review team found a few instances where the same employee was listed on the invoice of more than one program. Had this data been automated it would have been easy to make comparisons by name and department to ensure the accuracy of the rosters and invoices associated with each health plan. If the health benefit cost of one percent of the full time staff was unintentionally duplicated for a year it would cost the City at least \$60,000 in unnecessary premiums.
- After some field personnel reported that past disciplinary actions had never been recorded or implemented, the review team checked their personnel files. There was no record of disciplinary action. It could not be determined whether the notice of suspensions ever reached the personnel or payroll offices. The employees viewed this as additional paid vacation. There are at least three different costs to the City when a suspension without pay is not properly administered. First, the City is paying an allegedly suspended employee to sit at home. Secondly, the City is not recovering anything from the suspension through payroll deductions. The third cost is the most expensive and the most difficult to measure. It is the lost productivity resulting from employee indifference and ineffective personnel management.

The review team found other indications that personnel records are incomplete. Normally, the responsibility to ensure thorough documentation and follow up to disciplinary actions rests with the Personnel Office. It was evident that the Business Administrator and the Personnel Director are now working closely on all current matters. The amount of the administrator's time being consumed by these functions is excessive and detracts from his assigned responsibility to implement the actions of Council and to provide direction and leadership to the entire staff. It is recommended that the Mayor and Council promptly implement the following:

A. Make the entire personnel function a division within the Office of the Business Administrator. The Personnel Director should report directly to the Business Administrator.

B. Authorize the Business Administrator to recruit and hire an experienced Director of Personnel. The decision to permit the administrator to make this selection will send the first clear signal that the personnel function is a clear priority.

C. Retain the current Acting Director in the existing civil service title of Senior Attorney assigned to labor and personnel matters. The assignment of an attorney to a personnel staff is common and appropriate. This should permit the City to minimize its expense for outside labor counsel.

D. Consolidate all existing personnel functions into one office. Specifically:

1. The responsibility and local oversight for compliance with the federal consent decree addressing the hiring of fire fighters should rest with the Director of Personnel. The Fire Department will still have to play a major role in this project but the \$100,000 annual cost associated with this project should be included in the Personnel Department budget.

2. Reassign the affirmative action staff in the Personnel Division. Every municipality has an absolute obligation to ensure compliance with federal and state regulations pertaining to the hiring and equitable treatment of employees. Given the personnel department's role in advertising and hiring of personnel, adjudication of grievances, etc., it would be appropriate to locate this staff in personnel.

3. Reassign the employee assistance staff to the Personnel Division. This function is currently housed within the Health and Human Services Department. The mission of the Health and Human Services department is to provide services to the public whereas the Personnel Department should be the focal point of all employee services and records.

4. Consolidate the payroll and benefit functions into one compensation section within the Personnel Division. This should help reduce, if not eliminate the existing problems related to providing information to the payroll section on a timely basis. The existing benefits and pensions clerks can be cross trained and utilized in the most efficient manner possible.

5. Establish a comprehensive and standard personnel records format consisting at least of three parts - payroll and benefits data, training records and a confidential performance and conduct section. At least two of these three sections can be automated.

PAYROLL AND BENEFITS

At the end of the 1990 fiscal year, a total of \$105,059,834 had been spent for purposes we define as recurring operating costs. The total annual expenditure was \$119,574,292. The expense for salaries, wages and benefits was \$61,633,444 or nearly 59 percent of the recurring operating expense.

By 1994 the final amended budget for the City had increased 15 % to \$137,738,634 and the same recurring operating expenses had increased nine percent to \$114,596,009. In 1994 the cost of salaries and wages was \$68,024,786 which was a 10.4 percent increase over 1990.

COMPARISON OF 1990 AND 1994 BUDGETS, OPERATING EXPENDITURES AND PERSONNEL COSTS

	1994 Actual (% of Adjusted Total)	1990 Actual (% of Adjusted Total)	Increase (Percent)
Final Amended Budget	\$137,738,634	\$119,514,292	\$18,224,342 (15.25%)
Total	\$135,519,252	\$117,915,448	\$17,603,804 (14.93%)
Operating Total	\$114,596,009	\$105,059,834	\$9,536,175 (9.10%)
Salaries & Wages	\$68,024,786 (59.36%)	\$61,633,444 (58.67%)	\$6,391,342 (10.37%)

The cost of personnel is the largest expenditure category in the budget, far exceeding any other category or group of expenditures. In 1994, the municipal portion of the property tax rate was \$1.47 per \$100 of assessed valuation. Nearly 92 cents of this rate was needed to cover the personnel costs cited above. If the City of Atlantic City is to continue its work to reduce the cost of government and improve the value of every governmental expenditure then considerable attention must be paid to salaries, wages and benefits.

The review team identified four points of emphasis affecting the total payroll and benefit expenditures.

1. Size of Staff:

Reduce the size of the staff to the maximum extent possible. Specific recommendations and their fiscal impact are provided throughout this report. In many cases the size of the staff can be reduced without affecting the delivery of a public services through improvement in the local operations or through the use of competitive contracting options.

The 1994 audit stated that the City had 1,752 full time employees. 690 of these were uniformed fire fighters or police officers. Based upon a population of 37,986 the City of Atlantic City had one full time employee for every 22 residents, a police officer for every 91 residents and a fire fighter for every 140 residents. These ratios are exceptionally high.

If a service population of 76,000 was used in lieu of the resident population, recognizing the impact of tourism, the Atlantic City ratio becomes one employee for every 43 persons. The impact of tourism varies with each municipal department. Its impact is likely to be the greatest on the police department due to traffic control assignments, service or assistance calls and incident calls involving some form of criminal activity.

Using the adjusted population figure of 76,000 the ratio of police officers to persons for Atlantic City would be one officer for every 182 residents. As a matter of comparison, East Orange, which has 73,552 residents, has a ratio of one officer for every 290 residents.

The 1994 crime index total for Paterson was 210 incidents higher than the total in Atlantic City. Paterson's ratio of officers to residents is one office for every 467 residents.

Jersey City, has the second largest number of uniformed officers in a municipality in New Jersey. It has a ratio of one officer per every 299 residents. The City of Atlantic City has the third largest number of uniformed officers. Trenton, which is the fourth largest, has one officer for every 240 residents.

The City of Elizabeth is approximately 11.69 square miles. Its ratio is one officer for every 331 residents. The total square area of Atlantic City is similar; however, the service area in Atlantic City is much smaller due to the undeveloped wetlands.

Regardless of the indicator used to make a comparison the number of residents per officer is much higher in every other city than in Atlantic City. The unique nature of Atlantic City may justify some of this difference but it is important to note that the State of New Jersey has the law enforcement responsibility for all gaming related activity. In addition, we would note that in 1994 Atlantic City police officers were paid an additional \$881,251 for special assignments in and around the casinos. As such, the casinos are underwriting at least a portion of the additional burden that may be created by their clientele.

COMPARISON OF SELECTED "URBAN CENTER" RATIOS OF POLICE OFFICERS TO RESIDENTS

to Municipality	Population	Crime Index Total-1994	Officers: Population	Difference to Actual Pop.	Difference Adjusted Pop.
Atlantic City	37,000	9,709	1:91		
Atlantic City	76,000	9,709	1:182		
East Orange	76,000	7,376	1:210	147	28
Paterson	141,000	9,919	1:467	376	285
Trenton	89,000	7,229	1:240	149	59
Jersey City	229,000	18,769	1:299	325	117
Elizabeth	110,000	9,240	1:331	240	149
AVERAGE DIFFERENCE				247	127

Comparisons of the size of police departments is a common practice because of the collection and publication of crime statistics and staffing data. In addition, police departments are more readily comparable than other municipal departments because of the relative uniformity in their mission and areas of responsibility.

We acknowledge that the ratio of officers to residents may not entirely reflect a department's actual workload. The Atlantic City Police Department has not done a detailed workload analysis nor was it possible for the review team to complete such a study. It is recommended an annual analysis be conducted to determine the total number of officers needed as well as the optimal deployment of those officers.

Consideration should be given to changing the existing policy requiring an officer to respond to every call in person. Many cities have started a call service program to respond to matters that can be addressed effectively over the telephone. This could have a significant impact on the total workload. A change in response policy, simplification of the organizational structure to include a reduction from five to three divisions, and consolidation of the investigative functions could give the City the opportunity to reduce the number of sworn officers.

In 1994 the median wage for a police officer was approximately \$51,615. When the direct cost of benefits is added the median compensation was approximately \$64,520. If the number of senior positions was reduced as a result of the proposed reorganization and the total number of sworn officers was reduced by approximately 10 percent the annual recurring savings to the City would be approximately \$2,580,000.

We believe that if data were available for other municipal departments, and differences in the missions of these departments could be controlled, a similar chart would almost certainly show the same results for most operating departments in Atlantic City. Given the resident population, the service population, and number and type of services provided by the municipal government, Atlantic City has one of the largest municipal government staffs in the State of New Jersey.

2. Wage and Hour Control:

Ensure that the payment of wages and the documentation of compensable time accurately reflects the actual performance of the staff. There appears to be little control of compensable time, variations in the procedures for recording work time, and significant discrepancies exist between wages paid and wages earned.

For example, each division in the department of public works has a time clock and employees are required to clock-in and clock-out of work. A review of the time cards showed that many employees clock-in late without penalty and an even greater number regularly clock-out early. Based upon a comparison of the time cards for an eight week period beginning February 8, 1995 to the actual payroll records, the City paid approximately \$275,380 in wages for hours that were not worked in seven different sections of the public works department. Vacation and sick leave days were excluded from these calculations in recognition of the fact that employees are entitled to full pay when absent for these reasons.

SUMMARY OF AVERAGE TIME CLOCKED AND WAGES PAID FOR TIME NOT WORKED

<u>DPW Section</u>	<u>Average Work Time Clocked</u>	<u>Wages Paid for Time Not Clocked</u>
City Yard - Day	88.8%	\$44,744
City Yard - Night	71.3%	\$69,081
Boardwalk Mechanics	89.5%	\$14,486
Garbage - Day	94.0%	\$21,073
Garbage - Night	70.3%	\$103,290
Street Sweeping	93.6%	\$12,071
Cleaning Crews	<u>93.6%</u>	<u>\$10,605</u>
AVG.	85.9%	TOTAL \$275,350

It is important to note that this analysis was performed using the actual time cards of each employee. The excess wages paid averaged approximately \$34,419 per week. If this is multiplied by 49 weeks, thereby allocating three weeks of vacation or sick leave per employee, the annual total of wages paid but not earned for these seven crews would be approximately \$1,686,728. The benefits based directly on the wages earned such as social

security tax and pension yield an additional \$253,000 expenditure of the taxpayers' money that was unnecessary if not totally wasted. The problem of short work days was found in other sections of the public works department but not to the extent identified above.

The short work time indicated on the time cards indicates that the public works employees are not well supervised or well controlled. The short work day is not part of a management designed work performance or incentive program. More importantly, the review team learned that the work time reflected on the time cards is not used as the source document for payroll purposes. Each of the public works sections has a "roll call" sheet where employees are marked present. This data is transferred onto the actual payroll sheet that is signed by the supervisor, the department head and the business administrator. This last signature is yet another example of the upward delegation of responsibility and accountability. There is no realistic way the City's chief administrative officer can personally ensure the accuracy of the work time of junior field employees.

The problem described above is indicative of the work ethic found among the field crews and the quality of the first line supervision. In addition, there is no rational explanation for not using time card data. Any suggestion that the time cards do not truly reflect the actual work time is specious. It is recommended that the City resume using time cards as the source document for computing the compensable time for all field personnel paid an hourly wage.

Many municipalities in New Jersey utilize systems in which the time clock and the automated payroll system are tied together directly. Employees are paid exactly what is indicated on their time card unless a department head specifically overrides the time card information.

The review team found that the police garage and electrical bureau sections, both formerly part of the police department, are scheduled to work 35 hours per week. While not openly stated to the review team, the differences in the length of the work week may contribute to jealousy between sections resulting in other personnel leaving work early. It is recommended that the work week of the electrical bureau and police garage be extended to 40 hours per week. The 14% increase in work time should permit additional reductions in the size of the police garage staff. The wages paid to the employees of these sections are generally higher than the rest of the public works field personnel. As such, it should not be necessary to increase the wages paid when these crews move to a 40 hour work week although it will be necessary to address this matter during collective bargaining.

3. Cost of Benefits:

Control the spiraling cost of benefits, the impact of which is often hidden and/or delayed. The specific wording of the seven different collective bargaining agreements may prevent the governing body from unilateral changes. It would be in the best interests of the taxpayers, the municipality and the union members to make reasonable adjustments in the interest of the long term financial stability of the City. Several public sector unions in other municipalities have already made changes similar to those discussed below.

A. Health Benefits. There are over twenty different health benefit options managed by the City as a result of the number of different carriers and the differences between family, parent/child and single coverage. In nearly every case the rates being paid by Atlantic City are higher than the rates commonly paid by other municipalities. The review team compared the actual expense borne by the City for approximately 1,600 employees for which the premium data was readily available to the municipal rates maintained by the State health benefits program. At a minimum, the City could save \$839,000 by enrolling in the state health benefits program.

Recently completed negotiations involving several of the public sector unions representing many of the state employees has had the effect of establishing the premium cost of a managed care program as the benchmark or level at which the agency will pay 100%. If the City were to establish the same benchmark an additional \$977,933 could be saved through employee contributions and/or employee decisions to elect the level and type of coverage paid for by the City. Establishing an employee contribution would motivate employees to drop unnecessary coverage resulting from duplications or overlaps among family members.

B. Sick Leave. The civil service regulations of the state stipulate that employees covered under these rules shall accrue 15 days of sick leave per year. The responsibility for properly accounting for the use of these days rests with the employer. Under the terms of the current collective bargaining agreements with the police unions it is possible for a police officer to utilize more than 15 sick days but only be charged for 15 days even if that officer has an accrued sick leave balance carried over from prior years. This arrangement is similar to the wages paid but not earned among the public works crews. A police officer making use of this provision continues to receive full pay while out on sick leave and be compensated again upon retirement for days which should not exist. Several of the police officers openly refer to their sick leave balance as their retirement fund.

The actual fiscal impact could not be specifically measured without reviewing every incident of sick leave and determining how the officer was paid; however, the review team found that the sick leave balances and the number of sick days used by police officers was significantly higher than among other employee groups. Based on an average per diem rate of \$230 if each officer took advantage of this policy for a total of seven days in their career the financial cost to the City would be approximately \$672,980 which is greater

than the revenue generated by one cent of the municipal tax rate. It is recommended that every employee be charged for every day of sick leave or vacation taken. In those rare and catastrophic cases where a conscientious employee must be out of work due to an extended illness or injury unrelated to work other cost effective mechanisms exist to assist the employee.

C. Education Pay. Two fundamentally different systems exist within the City of Atlantic City to recognize and compensate employees for their educational achievements. The systems appear to have evolved over time as a result of collective bargaining with seven different employee unions. The first system, which is not applicable to fire fighters or police officers, stipulates that an employee may receive a single fixed payment in recognition of having achieved a recognized educational level such as an associate, bachelor or masters degree. The overall financial impact on the taxpayers is minimal because these are not recurring payments.

On the other hand, the educational pay provided to the police officers and fire fighters is both significant and recurring. Based upon the number of academic credits earned, a police officer or firefighter can receive an annual adjustment in pay ranging from two percent to 10 percent per year. In 1994 approximately \$1,400,000 in education pay was paid to eligible fire fighters and police officers. The average payment to an eligible police officer was \$2,913 whereas the average in the fire department was \$3,043.

Every time these officers receive an increase in their base pay they also automatically receive an increase in their educational pay.

Under the current system police officers and fire fighters control the ability to generate additional expenditures by earning more academic credits. The hidden and expensive impact of this benefit becomes readily apparent when specific pay records are studied. Considering a typical senior employee with 28 years of service, a total of \$69,263 in education benefits was paid over the last 22 years. The annual payments increased from \$211 in 1974 to \$8,765 in 1995.

No policy should discourage employees from continuing their education. Yet at the same time, the incentives and rewards that can be provided should not be extended to the point where they become a major financial burden on the municipal government. To that end, it is recommended the current form of educational pay for all fire fighters and police officers be eliminated entirely and replaced with the system used for all other municipal employees.

In addition to the unwarranted level of payments, the elimination of the current system will resolve one of the major inequities among employee groups. While it is true that there are differences in the job assignments and duties of the various employee groups, the stark reality is that there may be little difference in the value of their respective educational achievements. Had the educational reward clauses contained in the Supervisors Association of Atlantic City contract been applicable to the case summarized above the City would have rewarded the individual with checks totaling approximately \$750.

D. Longevity Pay. In its simplest form, longevity is nothing more than a financial reward for the staying power or durability of an employee. Continuing attendance is the only criteria used to determine eligibility. This is not to suggest that longevity compensation does not have some merit. The commitment of an employee must be valued and the cost of employee turnover and training can be prohibitive.

Unlike educational pay where there are major differences, the longevity pay system is consistent among employee groups. Longevity is based upon a percentage of the employee's compensation. In the case of fire fighters and police officers the annual longevity payment is based on the sum of other forms of compensation such as a stipend for serving as a detective or education pay.

In 1994 the City of Atlantic City paid at least \$2,900,000 in longevity payments. Approximately \$114,000 of this total went to personnel no longer on the payroll in 1995. It is recommended that all collective bargaining agreements be modified at the earliest possible date to change the method of computing longevity pay from a percent of compensation to a fixed amount based upon the consecutive years of service.

The proposed change will eliminate the compounding impact of increases in the base wage and it will eliminate the impact of unrelated factors such as education pay. A longevity system based upon a fixed amount also eliminates any disparity in the recognition of tenure resulting from differences in base pay. The commitment and tenure of a laborer should be recognized and appreciated similarly to the commitment and tenure of a senior administrator making considerably more money every year. While this change will require negotiations with each of the collective bargaining groups, it is not unreasonable to expect that the savings could exceed \$1 million and grow annually.

4. Off-Duty Work:

Eliminate the special police-casino payroll. The payroll section of the City prepares a completely separate payroll limited to the wages earned by police officers through additional, "off duty" assignments. Most of the time these assignments are associated with the casino hotels, hence the "nickname" for the payroll. In 1994 approximately \$881,250 was paid to 200 officers. 25 of these officers earned \$10,000 or more while an additional 114 officers earned at least \$1,000 or more through this program. The overall average was \$4,406.

Three police officers are assigned full-time to manage the off-duty work of police officers working in or near the casinos. The existence of a growing fund balance in the special police casino fund, which is discussed in the revenue and finance section, would make it appear that this process is generating additional non-tax revenue for the City. In fact the opposite is occurring. The salary and benefit cost of the three officers managing the off-duty employment has not been charged back to the special police casino fund. The

taxpayers are subsidizing this operation. This system also generates several other issues and potential problems discussed below.

A. To what extent is the City police department limiting open and fair competition for security work by providing the use of its officers? At the time the casino hotels opened there may have been a scarcity of professional security personnel in the region. This no longer appears to be the case.

B. To what extent is the City exposing itself to a financial risk due to the Fair Labor Standards Act and/or workers compensation claims? Generally it is not permissible for an employer to pay an employee a different wage for similar kinds of work even if the employer is being reimbursed by a third party. The extent to which the work of a police officer on duty for the City and a police officer working “off duty” for a casino are similar is a technical determination. In addition, the extent to which an employee works or is permitted to work by his or her employer may generate an obligation to pay the current wage and/or compensate the employee at overtime rates.

C. To what is extent is it appropriate to use taxpayers’ money to pay city personnel to process a second, separate payroll and to assign three police officers to scheduling and managing off duty work? The administrative fee being charged by the City does not cover the direct cost of benefits incurred for the additional wages paid to the officers receiving these assignments, the cost of managing this special work schedule and the cost of processing the second separate payroll.

In an effort to eliminate as many of the issues and problems as possible it is recommended the City:

A. Minimize the use of police personnel when other measures such as barriers, barricades and trained traffic flagmen can be used. In cases where police personnel must absolutely be utilized, they should be assigned as part of their official duties. It should be possible to use personnel already on duty in many cases. This does not preclude the City from recouping costs and overhead expenses resulting from the restricted assignment of police personnel. This scenario eliminates all doubts or concerns about supervisory responsibility, insurance coverage, or other issues.

B. Eliminate the separate police payroll. Off duty work can be included in the City’s regular payroll.

TOWING AND VEHICLE AUCTION PROCEDURES

In 1994 the tow lot collected approximately \$357,698 in revenues from towing fees, storage fees and the sale of unclaimed or seized vehicles through public auctions. The total revenues may have been greater had the city's towing operation not essentially ceased operation from a lack of working tow trucks. This problem was resolved by the simultaneous purchase of five new tow trucks and one flatbed truck. During the period when the City was not able to do its own towing work private vendors were called upon to do the job for the City.

In Atlantic City there has been considerable debate and some experimentation with competitive contracting or privatization of the towing services in the past. The fact that competitive contracting was not successful is curious given the large number of towing services in the community. Some officials suggested that the effort to contract for this service was certain to fail given the lack of support from staff and the manner in which the contracts were developed.

It was apparent to the review team that the current structure and system is costly to the taxpayers, fraught with major internal control problems and overstuffed. Adjusting the 1994 revenue to reflect an entire year of operation, the revised total would have been approximately \$476,930. This may be generous as the revenue in the first quarter of the year is not likely to exceed the revenues generated in the three remaining quarters of the year. At that level, the revenues generated would not cover the \$546,970 cost of wages and benefits for the tow lot staff. Those costs were exclusive of all the other costs of operation.

The first quarter revenue and the revised estimate includes \$94,881 received by the City in auction proceeds. The tow lot auctions are conducted separately from the auction of other public property owned or held by the City. It is strongly recommended that the responsibility for scheduling, publicizing and conducting all auctions be transferred immediately to the Office of Revenue and Finance. There is simply no reason to have two separate auction procedures. Internal controls will be improved immensely if the staff in control of the towing operation is separated from the staff that controls the auction process. This should also produce a reduction in the cost of conducting the auctions while helping to eliminate unnecessary claims and/or litigation over the obligation of the City to notify owners of the impoundment of their vehicle.

It is also recommended all cash collection operations at the tow lot be revised immediately. Individuals who want to reclaim their vehicle after paying the necessary towing and storage fees can be provided with prenumbered receipts and a written vehicle release before going to the tow lot. The need for strong internal controls and improved cash collection procedures cannot be underestimated.

In addition to changing the auction and cash collection procedures, we recommend that the staffing be reduced and the scheduling procedures be modified if the City elects to

retain this service in-house. The tow lot reported towing 3,833 private vehicles between April and December of 1994. If this total is adjusted to reflect an entire year the estimated number of towed vehicles would be approximately 5,100 or approximately 14 vehicles per day. Deducting the \$94,881 in auction proceeds from the total adjusted revenue, the average revenue per vehicle was approximately \$77.00. The average cost of salaries, wages and direct benefits was approximately \$107.25 per vehicle. The City is losing an average of \$30.25 for every vehicle it tows.

The fee schedule for towing and storage of a vehicle is commensurate with private sector services. In addition the extent to which towing fees can be increased is regulated through New Jersey Department of Insurance regulations. Even if the fees can be raised it will not resolve the underlying cause for the continuing loss. Using the average of 14 vehicles per day each shift tows less than five vehicles. Based upon payroll documents and schedules reviewed by the team, it is common to have at least three tow truck operators on duty during twenty of the twenty one shifts scheduled per week. On average each tow truck operator tows less than two vehicles per shift.

The demand for towing services does not occur evenly as the averages provided above might imply. There is no significant difference in the scheduling of tow truck operators by day or by the hours of the day. In addition, the supervisor is not scheduled to work on weekends which is the busiest time for this operation. Just as the casinos schedule their personnel to meet peak demand, it is recommended that the City schedule its tow truck operators to work at the times most needed.

If careful consideration is given to meaningful scheduling of employees at least three of the thirteen tow truck operator positions can be eliminated. The occasional need for an additional tow truck operator during periods of minimal staffing can be covered through a rotation among private operators and/or use of the garage mechanics as back up tow truck operators. Revised scheduling and the elimination of three full time positions would yield a savings of approximately \$120,000 per year without any corresponding loss in revenues.

The reduction in the cost of salaries and wages would lower the average cost per vehicle towed to approximately \$83.70 which is still \$5.00 above the average revenue. This analysis does not include any other costs of operation. The difficulty of recovering costs without charging exorbitant fees is one of the primary reasons many municipalities have chosen to contract this service.

Municipalities have the option to bid towing services or to establish a rotation process and a fee schedule by local ordinance. In either case, the City would utilize private sector firms to accomplish this work. We recommend Atlantic City give consideration to either of these options which would eliminate nearly all of its current towing costs.

VEHICLE MAINTENANCE AND REPAIR

The City of Atlantic City maintains a fleet of approximately 585 vehicles or pieces of heavy equipment in four separate maintenance and repair units. The units include the fire department garage, the body shop, the public works garage and the “police garage”. Generally the public works garage handles the maintenance and repair of all heavy equipment and light vehicles assigned to the public works department. The “police garage” does the work on all the other cars, pick-ups, and vans. In the past this responsibility had been split into one unit for police vehicles and another for all other light vehicles.

In 1994, the City of Atlantic City spent approximately \$2,199,170 in salaries, wages and benefits for 52 positions to maintain this fleet or an average of \$3,759 per vehicle. When the estimated costs of repair parts and lubricants is added the average increases to approximately \$4,785 per year. This is more than twice the vehicle maintenance cost in other municipalities studied by local budget review teams. Nearly 80 percent of Atlantic City’s maintenance expense is attributable to recurring salaries, wages and benefits. As such, the commonly stated argument that the age and condition of the fleet drives up the maintenance costs is not particularly valid.

Approximately 37 positions are assigned to the public works garage, nine are in the police garage and six fire department employees are responsible for their vehicles. The fire department vehicle maintenance staff consists of three civilian mechanics, two trained fire fighters and a battalion chief. The 37 positions assigned to the public works garage include four positions earmarked for maintenance and repair of the beach & boardwalk section equipment as well as three positions assigned to the paint and body shop.

Based on a 40 hour work week, there are a total of 108,160 work hours available for vehicle maintenance, training, vacations, sick leave, administrative responsibilities and supervision. If every one of the 52 employees consumed eight weeks per year in training, vacation or sick leave there would still be approximately 91,420 work hours remaining to the attend to the 585 vehicles. This is equivalent to 156 hours per year per vehicle. Based on industry standards for hours required to complete routine vehicle maintenance tasks and assuming preventive maintenance was performed on every vehicle every month, over 120 hours per vehicle per year would be available for additional repairs and body work.

Even with this incredible abundance of work time, the review team found that there was little organization and even less control over the preventive maintenance schedule. In addition, the repair work done by the shops was slow, due to problems associated with purchasing basic repair parts. With the exception of the fire department garage, there was no complete record of maintenance and repair on most vehicles. Where records did exist, either entries had not been made or many vehicles had not been serviced in over three years.

Based on discussions with the garage crews and operators of municipal vehicles, the reality is that there is a lack of maintenance rather than incomplete record keeping. The responsibility for the lack of preventive maintenance can not rest solely with the crews in the vehicle maintenance facilities. In general the operators of the municipal vehicles did not feel it was their responsibility or their concern to get a vehicle into the shop for servicing.

There appears to be an equal level of indifference regarding responsibility for damage to the publicly owned vehicles. During the course of the field observations the review team noted that damaged vehicles were dropped off in the yard with no explanation. On more than one occasion police vehicles appeared in the yard after hours, presumably with the assistance of the towing crews. When the team sought copies of the incident or accident reports, none existed or could be provided.

Given the multitude of problems, it was not surprising that the maintenance crews readily admitted to an air of indifference and ineptitude to the review team members. There appeared to be little difference in the attitude, conduct or performance of the first line and intermediate supervisors. The likelihood of transforming the existing vehicle maintenance operations into a successful and efficient system is limited at best. The present structure is extremely costly, and for the most part ineffective. It is recommended the City of Atlantic City pursue one of the two options provided below. Each option is intended to reduce the overall cost to a level comparable with marketplace rates. Maintenance costs average are approximately \$2,000 per year for light vehicles to \$2,700 per year for heavier pieces of equipment in other municipal operations studied by review teams. Based on the existing inventory of 119 heavy pieces of equipment and 466 light vehicles the total vehicle maintenance cost for the City should not exceed \$1,253,300 which is approximately 45 percent of the current municipal cost.

Regardless of the option selected it is also recommended the administration immediately begin to pursue the following intermediate objectives:

A. Consolidate all vehicle maintenance and repair functions. There is simply no reason to maintain separate maintenance and repair shops within the same organization. The concerns of the public safety agencies regarding timely service can be addressed through adoption of reasonable maintenance and repair priorities. The impending relocation of the public works yard provides an excellent opportunity to implement this consolidation.

B. Reduce the overall size of the vehicle fleet. The attached chart shows the number of vehicles by department and by type of vehicle. The City has an exceptionally large inventory of vehicles, particularly in the police department. It appears the number of staff vehicles exceeds the patrol vehicles by a two to one margin. Special attention should be given to the ancillary vehicles not used to directly provide services to the public and specialized equipment that is used infrequently. This equipment may be leased when needed or borrowed from another government through an inter-local agreement. We

would include in this group the vehicles assigned to the members of the City council who are not directly involved the provision of services to the public. We would also include vehicles assigned to employees in staff positions and those intermediate supervisors or department heads who have no obligation to respond to emergency situations. For every light vehicle taken out of service the annual maintenance cost can be reduced by the \$2,000 and the capital replacement costs can be reduced by approximately \$13,000. It would not be at all unreasonable to set a goal of eliminating 60 to 80 vehicles over a two year period.

C. Establish a strong and strict system of accountability for the maintenance, proper use and repair of every vehicle. This can be achieved even if a centralized pool of vehicles is established or more than one employee regularly uses a vehicle. Appreciation for the need to properly care for and maintain publicly owned vehicles may be improved if repair costs are charged back to the using department.

Prompt implementation of the three recommendations outlined above may provide the environment needed to improve the quality of the vehicle maintenance function while at the same time reducing the maintenance cost which is borne by the taxpayer.

OPTION 1. Competitively contract for all vehicle maintenance and repair services. The decision to privatize this function is becoming more common as the public sector recognizes the fact that an ample supply of services are readily available from private sector firms specializing in this type of work. Vehicle maintenance has never been recognized as a governmental function that can be directly associated with the health, welfare and public safety of the taxpayer.

The additional advantages would include: (a) elimination of the workload and problems associated with purchasing of repair parts that is generating tremendous amounts of “down time” in the fleet, (b) elimination of all benefit, employee tax and workers’ compensation costs, (c) improved accountability through absolute control of a legally binding contract, and (d) presentation of cost analysis data by vehicle and by department permitting improved scheduling of capital replacement costs.

As stated above, competitive contracting should generate a total expense of approximately \$1,253,300 which would result in a savings of approximately \$1,546,700.

OPTION 2. Implement a complete restructuring and reorganization of a fully consolidated “fleet operations and maintenance center.” To accomplish this transition successfully it will be necessary to recruit an experienced fleet manager from the private sector or the armed forces. It will also be necessary to make one time capital expenditures to establish adequate computer systems to record keeping, billing and data analysis procedures.

To meet the established target of limiting expenditures to levels established by the private market place and to meet the simultaneous goal of improving the quality of service being provided the following staffing plan is proposed.

<u>Position</u>	<u>Base Salary</u>	<u>Number of Positions</u>	<u>Total Salary</u>	<u>Total Cost</u>
Fleet Manager	\$55,000	1	\$55,000	\$71,500
Maintenance/Repair Mgr.	\$45,000	1	\$45,000	\$58,500
Senior Mechanic	\$37,500	3	\$112,500	\$146,250
Mechanic	\$32,000	17	\$544,000	\$707,200
Parts Controller	\$35,000	1	\$35,000	\$52,500
Inventory Clerk/Driver	\$20,000	1	\$20,000	\$30,000
Senior Clerk	\$30,000	1	\$30,000	\$45,000
Clerk	\$ 20,000	1	\$20,000	\$30,000
PERSONNEL TOTAL		26	\$806,500	\$1,048,450
Parts, lubricant and other expenses (90% of current expense)				<u>\$540,000</u>
TOTAL				\$1,588,450

Reconstructing the staff as configured above would, in all likelihood, yield as much employee displacement as option one. The staff would have to accommodate a significant transition while simultaneously having to try to keep up with the daily workload. The projected savings in this option is approximately \$1,211,550 which is \$355,150 less than option one.

ALLOCATION OF VEHICLES BY TYPE

Department	Heavy Equipment	Light Trucks	Utility	Van/Sport Sedan	Bus	TOTAL
<i>Police</i>						
Patrol				89		89
Patrol-Motorcycles/Sidecars						30
Garage		2				2
Explorers				1		1
Prisoner Transport			1		2	3
Radio Shop			4			4
Sign Shop		2				2
Stakeout/SWAT						7
Tow Lot	8	1		1		10
Vice						34
PAL			3			3
Juv. Bur.			1	2		3
Emerg. Mgmt.	1		2	1		4
ID Bureau			1	2		3
Intelligence				4		4
Internal Affairs				5		5
Detective Bureau				7		7
Community Relations			1	2		3
CHIPS				3		3
Beach Patrol	5	2	4			11
Academy			1	1		2
ABC				3		3
Bomb Squad			2	1		3
Meter Enf.			1	2		3
Unknown		5		16		21
Admin./Other		2	6	32		40
SUBTOTAL	14	14	27	172	2	300 (A)
<i>Public Works</i>						
Asphalt	4	3		1		8
Boardwalk	16	9	6	2		33
City Yard	2	3	2	1		8
Electrical	7	1	2			10
Engineer			6			6
Facilities			2	1		3
Parks	20	6	1			27
Sanit./Recycle	30	18	1			49
Streets	3			3		6
Other			4	5		9
SUBTOTAL	82	40	24	13	0	150
<i>Fire</i>	21	0	12	12	0	45
<i>Health/Human Services</i>						
Environmental			3	5		8
HIV Program				3		3
Senior Citizen	1	1	5	4	7	18

	Welfare			1	1		2
	Other		2	2	9		13
SUBTOTAL		1	3	11	22	7	44
Plan/Development			3		9		12
Mayor/Council		2		1	8		11
Admin/Fin/Clerk					24		24
Unknown Asgn.		1	4				5
TOTALS		121	64	75	259	9	600 (A)

(A) Police Department column subtotals and overall totals do not include motorcycles (30), vice squad vehicles (34) and stakeout/SWAT vehicles (7).

- Notes: (1) 15 vehicles auctioned since list was prepared.
(2) Mowers, trailers, compactors, all terrain vehicles and snowmobiles listed as heavy equipment.
(3) All pick up trucks listed as light trucks.
(4) Chart derived from data provided by the municipal staff dated June 19, 1995.

BUILDING MAINTENANCE

The City of Atlantic City is the first municipality reviewed by a local budget team that has a combination of in-house building service work and contracted custodial work. The custodial work at the PAL Center is contracted at a cost of approximately \$.70 per square foot. The contracted cost for similar work at the Masonic Temple is approximately \$.57 per square foot. These costs are consistent with the contract prices paid by municipalities throughout the state.

The in-house cost per square foot ranges from approximately \$1.66 at a site where one employee maintains approximately 13,900 square feet to \$10.20 per square foot at another site where four employees maintain approximately 18,365 square feet. These costs range from two to fourteen times greater than the market place rates. When computing the municipality's cost per square foot all salaries and wages for boiler operators were removed and the cost of supplies and materials were not included. If these costs had been included the average price per square foot would have been much higher.

Had the contracted costs and the in-house costs been similar it may have been possible to suggest that the building service personnel also function as attendants who respond to special needs that occur while a building is in use. Based upon the identified costs the City could employ seven attendants, contract the custodial work and still save a significant amount of money. Using an average cost of \$.75 per square foot, which is higher than the current contracted cost, the City can save approximately \$932,697 as shown below. If seven attendants are employed at a total cost of \$35,000 per year for wages and benefits the City's savings would be \$687,697 which is more than one cent on the current municipal tax rate.

A COMPARISON OF IN-HOUSE AND CONTRACTED BUILDING SERVICE WORK

<u>Facility</u>	<u>Wage & Bene- fit Cost</u>	<u>Total Area</u>	<u>Cost Per Sq. Ft.</u>	<u>Contract Cost (.75)</u>	<u>Savings</u>
City Hall	\$541,103	106,234	\$5.09	\$79,676	\$461,427
Patsy Wallace	\$ 69,359	10,278	\$6.75	\$ 7,709	\$ 61,650
Comfort Stns.	\$115,228	14,000	\$8.23	\$10,700	\$104,528
Garden Pier	\$ 48,648	4,996	\$9.74	\$ 3,747	\$ 44,901
Court/PD Adm	\$ 23,230	13,913	\$1.66	\$10,435	\$ 12,795
States Ave.	\$ 83,173	13,303	\$6.25	\$ 9,978	\$ 73,195
Westside	<u>\$187,275</u>	<u>18,365</u>	<u>\$10.20</u>	<u>\$13,774</u>	<u>\$173,501</u>
TOTAL	\$1,068,016	181,089	\$5.90	\$135,319	\$932,697
Wages and benefits for seven attendants					<u><\$245,000></u>
NET SAVINGS					\$687,697

The review team intentionally chose to compute the estimated savings at a rate higher than is currently being paid by the City for contracted work. This was done to ensure the estimates were conservative and to recognize the potential for cost increases. For every \$.05 that can be saved through the bid process the City will save an additional \$9,054. It is recommended the City restructure its method of providing building service work by competitively bidding this service. Given the close proximity of the Atlantic County offices to the City Hall it would be feasible to pursue a cooperative or joint bid in the interest of obtaining the best price possible for these two large buildings.

In a related matter, during the course of the field work by the budget review team the matter of scheduling and overtime for the city hall boiler operators, commonly called black seal operators, was addressed by the administration. In 1994, the overtime earned by this crew was at least \$52,600. The base compensation, longevity and the cost of direct benefits was approximately \$146,260. As a result of a site inspection by a representative of the New Jersey Department of Labor requested by the review team, it was determined that the boiler system does not have to be staffed unless the building is occupied. As such the administrator was able to direct that the scheduling and overtime practices be modified significantly.

It is recommended the City continue to address the boiler operator cost by determining whether minor modifications to the system would eliminate the need for all staffing. This would produce savings to the City of \$146,250 plus any remaining overtime expenses.

ENGINEERING MANAGEMENT and CAPITAL IMPROVEMENTS

One of the measures of the long term viability of a community and one of the essential elements of the public's perception of a town is the condition of its infrastructure. Factors such as the condition of the roads, the available water supply, the number and type of public facilities and the degree to which the public facilities are maintained are all crucial parts to bridging the gap between the perception and the reality in the City of Atlantic City.

Planning and implementing new infrastructure development or rebuilding the existing infrastructure is a crossroad for the conflicting concerns of the technical requirements of civil engineering, the development goals and objectives of the community and the financial realities of construction. In the case of the City of Atlantic City an already difficult issue is made more complex by the cross cutting concerns of the various state and local agencies. The paradox created by the simultaneous importance and complexity of capital improvements dictates that there must be a well conceiving and equally well managed capital improvement plan.

As suggested in the title of this section, it is recommended that the engineering office of the City be renamed and refocused on the mission of making capital improvements occur. Moving a single capital project from its inception as an idea through the planning and financing process to the execution of the construction contracts is a time consuming, arduous task in the best of circumstances. When a number of capital projects are being considered the chances of timely progress without an clearly defined project manager are minimal.

In Atlantic City the community development block grant process, the housing and urban redevelopment process, the casino redevelopment authority, the school district and the City itself all have different capital objectives and access to different capital financing mechanisms - none of which are coordinated or consolidated. This may explain the limited amount of construction on such basic items as rebuilding local roads and establishing an on-island emergency water supply.

As the designated facilitator or sponsor of capital projects, the office of the municipal engineer should be charged with the mission of: (a) developing a consolidated, city wide master list of proposed capital projects; (b) identifying the proposed funding source for construction of each project; (c) obtaining or preparing an estimated annual operating cost for each project; (d) identify the lead agency responsible for operating and maintaining each project, and (e) the projected or recommended calendar for the detailed design, financing, construction and completion of each project. The information identified above can then be compiled into a comprehensive Proposed Capital Improvement Plan that is to be submitted for annual review and approval by the City Council and the contributing agencies. The review and adoption of a substantive Capital Improvement Plan is just as important, if not more important than the review and adoption of the annual budget.

Once the annual plan is approved, the challenge of making the projects become a reality will necessitate considerable work and coordination by the staff of the engineering office. In the case of projects sponsored by an external agency such as the Casino Redevelopment Authority, the municipal staff can serve as the host or ombudsman for the permitting and inspection procedures. If necessary the office can also function as the construction management group, although the Atlantic County Improvement Authority has successfully performed this role for several projects.

The revised role and mission proposed above implies that the office of the municipal engineer should be primarily involved in engineering management rather than the detail of engineering design and production of construction documents. This is not to say that small engineering jobs in support of the work done by municipal crews cannot be done in-house. However, for all major capital projects, it is recommended that the City competitively solicit engineering and design proposals from a variety of licensed and experienced firms. Estimates of the fees to compensate firms for the detailed design work should be incorporated into the Capital Improvement Plan project cost summaries. These amounts should also be included in every project financing plan.

A well coordinated capital improvement plan does not necessarily mean more debt for the municipality. To the contrary, coordination of existing financial resources, timely submission of grant reimbursement documentation as suggested previously and sound financial planning can lead to an accelerated pace of infrastructure development without a major impact on the municipal tax rate or debt burden. Any tax increase that occurs as a result of capital improvements must be tied directly to a specific project that is scheduled for construction, already underway or even completed. Accordingly, it is recommended the City and the allied capital development agencies focus their efforts on the necessary, projects such as (a) road improvements, (b) utility development to include an on-island emergency water supply, (c) centralized fire stations, (d) a centralized public safety center and (e) a new public works operations center.

SECTION THREE: SERVICE DELIVERY OPPORTUNITIES

THE DELIVERY OF EMERGENCY MEDICAL AND FIRE SERVICES

In 1994 approximately \$16,629,430 was allocated in the budget lines of the Atlantic City Fire Department. 97% of the budgeted expense was for salaries and wages. In addition to the expenses listed in the Fire Department budget, the City paid approximately \$4,100,000 in benefit premium costs and pension contributions for the approximately 265 employees of the department. Employees also used or accrued additional indirect cost benefits such as sick leave, vacation and personal days. The estimated value of these benefits was approximately \$3,044,300. The total value of the direct and indirect benefits added to the operating costs of the fire department was approximately \$23,773,730 for 1994.

Based upon an analysis of the "State wages, tips, etc." listed in block 17 of the 1994 W-2 statements, the median taxable wage was approximately \$58,643. Twenty-three employees has a gross taxable wage in excess of \$75,000. These totals do not include income paid but voluntarily deferred by the employee. The 1994 Annual Report of the Atlantic City Fire Department listed a total of 2,664 calls. The average cost per call was approximately \$8,924 per call based on a total expenditure of \$23,773,730. If only the direct benefit and operating costs are considered the cost per call is approximately \$7,781.

In 1994 approximately twenty-three percent of the 2,664 calls were for actual fires. 243 fires involved a structure; 68 involved a vehicle and 308 involved other items such as trash dumpsters, vacant land, etc. Approximately twenty percent of the total calls were rescue or hazardous condition calls while the remaining fifty-seven percent of the calls were defined by the department as "good intent, false alarm or other calls." At the time fire units are dispatched the information provided to the department is vital to the decision as to what should be dispatched. In situations where there is a confirmed fire or the information is limited, the department must respond with a basic corps of equipment and personnel according to the department's standard operating procedures. The department's response policy of sending approximately 18 fire personnel initially is consistent with national norms and standards. The extent to which additional personnel and equipment are needed is a determination that must be made by the incident commander. The extent to which communication about the nature and type of call can be improved prior to dispatching increases the possibility that the most appropriate response can be made.

Refinements in the basic response strategy of the department resulting from enhanced information probably would not reduce the average cost per call. It would however, significantly improve the utilization of fire service personnel, reduce the opportunities for response call injuries, and ensure timely delivery of the most appropriate services to those in need. As the respondents to the calls for service, the fire department is limited in its ability to address this matter effectively. The amount, type and accuracy of dispatch information is a matter that crosses over several departments. As such it can be more effectively addressed by the administration as a whole.

In terms of matters directly pertaining to the fire department of the City of Atlantic City, the department presents an unusual and perplexing paradox. In some respects the department is the best run agency in the municipal government. For example, the department effectively controls the utilization of sick leave and vacation time; it documents the training of its personnel and it has developed a useful history of infractions and disciplinary actions. Its response record to fire calls and its coordination with the safety or risk managers of the casinos is noteworthy. Furthermore the department can readily document its actions and the related costs in its effort to comply, on behalf of the City, with the federal court consent decree pertaining to the recruitment, hiring and promotion of minority personnel.

On the other hand, the age, location, size and condition of the fire houses reflects the era of the horse drawn water wagon. It is one of the biggest fire departments in one of the smaller urban areas in New Jersey and the range of services and the table of organization does not reflect a modern fire service agency. The conduct and attitude of some personnel does not appropriately reflect their role as employees of the City nor does it reflect a commitment to public service.

One staff member described the attitude and conduct of his peers as aggressive, selfish and independent on one hand and exceptionally defensive on the other. Another described the general attitude of the department as a “bunker mentality.” Some blame this on the infighting and power struggles within the department while others blame it on “unreasonable attacks on the quality and character of the department for many years by community leaders and elected officials.” To be sure the existing problems did not develop overnight.

To determine the derivation of the existing problems and to assign blame is fundamentally irrelevant and absolutely useless. It simply does not matter. What should matter to the individual employees, their union representatives, the elected officials, the business owners and the residents of Atlantic City is that the fire department needs to revise and update its mission as has been done in many modern fire departments, restructure its table of organization to reflect the revised mission and expanded services, eliminate the internal strife, and retain the central corps of well trained, professional and committed firefighters and fire administrators. Unless the readily apparent friction and tensions are set aside the opportunity to achieve these outcomes is limited.

Atlantic City is on the brink of several major economic developments that have the potential to expand the local economy, the local tax base and the town's national reputation as an attractive tourism destination. Old, dilapidated structures are being demolished with regularity. Development is beginning to occur that will spur the resurgence of Atlantic City as a place in which people will choose to live. It is not in the best interest of the union representing the fire department employees to attempt to capitalize on the need for change, particularly given the exceptional pay schedules and benefit packages already in place, nor is it in the best interest of the administration and council to delay the development of policies and plans to move the department forward

through improved facilities and expanded responsibilities. To do so could hamper the likelihood of the pending economic developments.

Without economic growth and development and without expansion of the duties and responsibilities of the department, the need to retain a uniformed staff in excess of 200 personnel must be seriously challenged. To that end the review team makes the following groups of recommendations which can frame the future of the department in a way that is advantageous to all parties, including the taxpayer.

1. Develop and implement a specific plan to build new fire stations. The existing structures were opened in 1897, 1907, 1909, 1913, 1921, 1923 and 1956. The basic modern equipment of a fire department does not properly fit in most of the stations. It is unlikely that the facilities can be thoroughly renovated in a cost effective manner. In addition, there is no need to maintain seven separate stations. As noted earlier, the existing fire houses date back to the era of horse drawn water wagons.

Given the small land size of the City, the continuing expansion and improvement of major thoroughfares, the continuing reduction in outdated wood frame structures and the new construction built to the latest fire safety and fire subcode standards there is no reason to believe that the number of fire stations cannot be reduced without adversely affecting the overall response time of the fire department or the insurance (ISO) rating assigned to Atlantic City. One new fire station is under construction. The construction of two additional fire service centers strategically located should be more than sufficient to serve Atlantic City properly. A number of computer models exist that can be used to identify the optimal location of the two major stations.

While there is some merit to the truism that “the hardest thing to do is to convince people that building a fire station next door is good and the second hardest thing to do is to remove an existing fire station,” the long term interests of the department and the public would be served best by working through these issues to consolidate and reduce the number of fire stations.

Other valuable additions to the proposed capital plan would include construction of an additional water supply line and a reasonable amount of water storage capacity on the island. Because Atlantic City is both an island and a major resort this issue deserves further study and consideration.

Even though fire services are a basic municipal function, it would be in the best interest of all of the agencies in the City to endorse the importance of fire and water supply services as an integral part of redevelopment.

2. Continue the sound personnel management observed by the review team in the Atlantic City Fire Department. The recognition of the noteworthy practices should not be construed as an endorsement of the number of personnel or the seniority of the personnel assigned to complete these tasks. There are, nevertheless, several simple automated

systems developed by the department that can serve as the basis for a model throughout the City.

3. Restore a fundamental sense of responsibility for safety in every firefighter and line officer. The most disturbing aspect of the review process were the answers given by firefighters and line officers when asked “Who is responsible for your safety as a firefighter?” The answers consistently provided to the review team was that safety was the responsibility of “my captain,” “the department’s safety officer,” or “the senior officer in charge”. The answers consistently reflected the attitude that safety is the responsibility of “the other person.” Safety must be responsibility of every fire fighter.

Even more disconcerting was the view taken by Captains assigned to field duty that they were not responsible to check the condition of the individual turn out gear or the organizational gear used by their personnel.

Understanding the responsibility inherent in being the supervisor of an employee should be more than sufficient motivation for every officer to take an active role in safety training and safety inspections.

It is recommended that day to day safety must be clearly defined as a matter of conduct subject to disciplinary action. Failure to properly conduct thorough safety inspections regularly and report the results including a list of items needing to be repaired or replaced must be treated as seriously as any safety violation occurring in the course of a response to a fire alarm.

In addition to the favorable impact on morale and esprit de corps, the monetary savings will be significant if one accident resulting in a workers compensation claim or one tragedy resulting in litigation is prevented each year. In 1994 seventy six worker compensation claims were reported. On the average, one out of every four fire department staff members made a claim. The claims per employee ratio was among the highest of the Atlantic City departments. Approximately \$343,217 was paid in wages to personnel in a worker compensation, i.e., unproductive status. This is roughly equivalent to the median wage paid to six full-time employees. This total does not include the continuing cost of paid benefits, overtime payments and out of title wages paid to other employees to cover the absences or the medical costs incurred by the injured employee. Given the cost of medical treatments and overtime payments, it is reasonable to project that the sum of all direct and indirect costs resulting from workers compensation claims is at least double the cost identified above. This would result in an average expense of approximately \$9,000 for each of the seventy six filed claims. A twenty percent reduction or the elimination of fifteen accidents generating the average costs as identified above would result in a savings of approximately \$135,000 per year.

To focus and strengthen the importance of safety for first line supervisors it is also recommended that the title of the first supervisory rank be changed from “Captain” to “Lieutenant”. Lieutenant is commonly recognized as the title of the first line officer

responsible for the welfare of the junior personnel. Establishing a local title should not require changes in the civil service classifications.

Directly related to the issue of safety for a firefighter is the issue of individual physical fitness and agility. An essential component of every hiring process is the fitness and agility test. It is essential that the firefighters assigned to line positions retain the levels of personal fitness and agility equal to or greater than that required of an applicant for the position of firefighter. Accordingly, it is recommended that the union and management jointly agree on the development and implementation of continuing fitness standards and testing as a condition for retention as an Atlantic City firefighter. None of the firefighters interviewed wanted to work with others who could not carry their own weight -- literally and figuratively. The need for fitness does not end with graduation from the Fire Training Academy.

The importance of physical fitness and safety is underscored by the U. S. Fire Administration report titled 1993 Fire Fighter Fatalities. Of the nine firefighter deaths associated with structure fires in 1993, four were attributed to cardiac arrest. Fortunately, the 1993 Bureau of Labor statistics show the frequency of occupational fatalities among firefighters to be down significantly. Accordingly to the 1993 BLS report, firefighting is no longer among the top ten most dangerous occupations in the nation.

4. Revise the mission of the department by making the additions and modifications to its areas of responsibility as discussed below. Nationally, there is no area of public service delivery that has undergone more change than the area of fire services. Changes that have taken place include complete privatization of an entire fire department, regional consolidations and major expansion of the scope of services provided by a fire department. According to representatives of the International Association of Fire Chiefs three primary factors are credited for generating most of the change. The factors are: (1) recognition of the long term reduction in the number of fire calls resulting from improved fire safety and construction codes, (2) recognition of the number of non-fire emergency calls that can be made by a fire department and the (3) the combined need to control costs while simultaneously generating more productivity for every dollar expended. The need for change as defined by these criteria is clearly necessary for the Atlantic City Fire Department. Accordingly the following changes in the mission and scope of services provided by the department are recommended.

A. Establish arson investigation as a regional or county wide service, preferably housed in a county agency such as the Office of the Prosecutor. There does not appear to be the need for more than one arson investigation team within Atlantic County. Even if the majority of the arson investigation work occurred inside the City of Atlantic City there will still be need for the service in the remaining municipalities of Atlantic County. Any perceived imbalance in the work inside and outside of Atlantic City is more than offset by the City's portion of the County tax base and resulting tax revenues. Transferring one deputy chief and two captain positions to the Office of the County Prosecutor would save the City at least \$200,000 per year in salaries and benefits.

B. Formalize the existing cooperative relationships concerning the training of paid and volunteer firefighters in Atlantic County. The five paid fire departments in the County as well as the many volunteer organizations cooperate in the training of new and veteran firefighters. The department's annual report states the training division "educated twenty eight recruit firefighters, from three different communities." At the end of their training they were eligible for certification at the Firefighter I level as the training syllabus met the standards established by the New Jersey Division of Fire Safety.

Notwithstanding the success noted above, this training structure still is redundant and not cost effective for the taxpayers. Consideration should be given to establishing a permanent staff at the Atlantic County Training Academy responsible for conducting and coordinating all fire training in Atlantic County. While the delivery of fire services remains primarily a municipal responsibility in New Jersey, the provision of training is a logical and prudent county responsibility. Since many of the training curricula used by the Atlantic City Fire Department are already approved by the New Jersey Division of Fire Safety, it would be in the best interest of city and county taxpayers to transfer key training personnel to the Atlantic County staff and supplement it through additional personnel from other departments. The transfer of one deputy chief and two battalion chiefs to become the leadership of the consolidated training program would save the City approximately \$365,000 per year in salaries and benefits. If this cannot be accomplished then consideration must be given to eliminating the full-time training positions within the department and making training a collateral duty of all senior officers.

C. Assign the hazardous materials response and incident reporting responsibility to the Fire Department. The hazardous materials response function is currently housed in the Department of Health and Human Services, probably as a result of local interpretations of the County Environmental Health Act and related grant opportunities. The need for prompt and careful response to every "Hazmat" call can be more appropriately handled by members of the uniformed services already trained in basic emergency response procedures. Several members of the fire department staff have already completed the required hazmat training. In addition, fire personnel are on duty twenty four hours per day. The 24-hour activity of the casinos and many food service establishments enhances the likelihood of hazmat incidents during unusual hours of the day. It is not necessary to pursue any major capital expenditures to implement this recommendation. The local fire department personnel can be the first to respond. State personnel and equipment can be called upon for the unusual or extremely serious incidents.

D. Establish one basic specialty unit assigned to support and rescue work. This proposal can be accomplished without any expansion in staff. The hazmat responsibility outlined above should also be assigned to this special purpose unit. The occasional tragedy such as the recent crash of a private plane is not the primary motivation to establish this unit. To the contrary, it is the more common and less sensational need to assist trapped workers, workers entering a potentially noxious environment, stuck

elevators and doors, and jammed vehicle doors in a traffic accident that supports this proposal. The 1994 annual report of the department identified six calls for emergency medical treatment, forty one rescue calls, 381 hazardous condition calls, and 76 service calls. These 504 calls could have been the primary responsibility of a “rescue and support company.”

The support responsibility alluded to in the proposed name of the unit can include response to fire calls to provide additional equipment and assistance to firefighters as well as assistance at special events such as outdoor festivals, school displays, fire prevention week, etc.

E. Expand the use of line personnel assigned to the fire stations in the completion of life hazard and non-life hazard safety inspections. The department has already received state approval to train firefighters in the basics of fire safety inspections. The days of firefighters staying in the fire station waiting for the alarm to sound are gone. Nationwide the industry has been changing from the narrow focus of fighting fires to the broader mission of providing fire services. Safety inspections are a key element to fire prevention, good community relations, and familiarity with the physical layout and contents of buildings which may be the subject of a fire call. This recommendation can be implemented with existing personnel. Safety inspection work is recognized as a standard part of a firefighters duties and responsibilities. Accordingly, there is no just cause to request and no need to provide additional compensation for safety inspection work. We would also note that given the 24-hour status of these employees the opportunity to offer off-peak hour inspections may prove to be more efficient and effective to both the fire service and the regulated businesses.

F. Consider implementing a limited “first responder” program, particularly if it will result in a reduction in the cost of the contracted ambulance services. It may be possible to assign this responsibility to the proposed rescue and support unit, however it would also be feasible to consider it as an additional duty of every fire company. Even with the proposed relocation and reduction in the number of fire houses, there should be occasions when a fire department unit can respond more quickly to calls demanding a rapid response. The fire department has suggested that its response be limited to calls involving victims in apparent cardiac arrest, apparent respiratory problems or unconscious victims. Upon arrival of an ambulance, control and responsibility would revert to the senior ambulance attendant on site.

In addition, there are occasions when a second ambulance must be called to a site for the sole purpose of providing additional support personnel. When this occurs it would be feasible to utilize fire personnel. They have the ability and equipment to support the lifting and movement of injured persons.

G. Consolidate all fire department vehicle maintenance into the proposed consolidated city vehicle maintenance unit. The fire department operates one of the four separate vehicles maintenance facilities operating within the City of Atlantic City. This

consolidation will permit the reassignment of two fire personnel to jobs for which they are trained and paid. As discussed in the recommendations pertaining to consolidation of all vehicle maintenance units, concerns regarding prompt attention to fire vehicles and the special characteristics of fire equipment can be effectively addressed without having separate vehicle maintenance shops.

5. Develop and implement a plan based on attrition to change to the proposed staffing levels as outlined in the enclosed chart. During the transition period, a person filling a particular position may have a rank and pay grade higher than required. When that person retires or is transferred the position would then be filled with an employee holding the proper rank.

To demote any employee for the sole purpose of matching the new table of organization is counter-productive and conflicts with the overall objective of retaining a corps of well trained, professional and committed firefighters and fire administrators. It may force individuals into acting in a manner to protect their personal interest in lieu of aggressively contributing to the common interests of improving the delivery of fire services and controlling future costs. The resulting confrontations could offset the projected savings. Conversely, if the selfish interests of selected personnel are stalling or derailing constructive change, the administration must not eliminate the option of restructuring the department through a series of reassignments even if it means administrative demotions and lay-offs.

Given a mutually cooperative attitude, the likelihood of a complete transition based on attrition should be very good. During 1994 thirty two uniformed personnel retired. The average length of service was 23.7 years. Of the 254 uniformed personnel listed in the 1994 annual report, 30 percent have over twenty years of service. Of the ninety individuals holding a rank of captain or higher, 41 percent have twenty or more years of service.

Using the existing salaries and benefits the revised table of organization would yield an annual savings of more than \$1,726,818. In addition to the reduction in personnel costs the proposed organization accomplishes the following:

A. Incorporates all of the proposed new services. If these services are not added the associated positions can be eliminated.

B. Resolves the existing imbalance between senior officers and junior personnel;

C. Improves the ratio of line to staff personnel;

D. Establishes a new mid-career rank. The new rank can be titled "Captain" if the previous recommendation to establish the rank of Lieutenant is adopted. It is recommended that this rank and the associated duties be used to begin the transition of an officer into the wider areas of responsibility associated with senior positions. It can also

be used to designate the commanders of the proposed specialty unit. The creation of a new mid-career rank should also help the department meet the goals and objectives mandated in the federal consent decree pertaining to the recruitment, retention and promotion of minorities within the fire service.

We acknowledge this is not customary among fire departments. The advantages to be gained in terms of career paths, and recruitment opportunities, as well as clear delineation of line, staff and management functions warrants serious consideration of this new approach.

E. Clarifies and simplifies the chain of command which is instrumental to improving internal controls, responsibility and accountability.

6. Implement the following additional changes which will facilitate the continued improvement in the Atlantic City Fire Department.

A. Establish separate collective bargaining units for supervisory and non-supervisory personnel. The existing arrangement of having supervisors and their personnel in the same unit is not conducive to good discipline and productivity. Based upon the past decisions of the Public Employees Relations Commission, a petition submitted by either management or labor to establish separate bargaining units is possible. Under the proposed staffing plan it is presumed the Chief and the Deputy Chiefs would be recognized as part of management and therefore not part of any collective bargaining unit.

B. Pursue departmental accreditation or some other form of continuing review and assessment. The International Association of Fire Chiefs has introduced such a program that has been well received by many of the nationally recognized leaders in the fire services profession.

7. Pursue inter-local options beneficial to the taxpayers and the continuing improvement of the fire services. The computer enhanced capability to identify and analyze patterns of fire calls and other calls for service makes it possible for departments to consider alternative staffing and service delivery patterns. In areas where there is one large, full service department it is feasible to contractually provide first response coverage to smaller communities during periods identified as normally having minimal activity. For example, it could be cost effective for Ventnor to contract with Atlantic City for coverage for all or a portion of that community during “off-peak” hours. The reality is that the citizen in need does not care about the name painted on the side of truck that arrives to provide help. Citizens do care about the fact that their tax burden can be lessened without a reduction in the quality of services being provided. Implementation of this type of service could have marginal impact on the selection of sites for the proposed fire houses in Atlantic City.

A similar arrangement should be considered for the provision of ambulance services. In this instance it is plausible to consider an inter-local agreement or a jointly bid contract covering all hours of the day rather than just “off-peak” periods.

Directly related to the delivery of ambulance services, the City recently re-bid the contract for the provision of ambulance services. The bids received and presented to Council for review were much lower than the cost of the existing contract. This reflects an increasingly competitive market for the private delivery of these services. Under the terms of the contract, the City pays a set fee for the provision of the services and then may receive a portion of the revenues collected by the vendor through third party billing. Given the proposal to involve the fire service personnel in a first responder program and given the increasing competition in this venue, the City should ensure that it is receiving its fair share of revenues from the vendor.

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THE DELIVERY OF PUBLIC WORKS SERVICES

The Department of Public Works has the unusual role of providing services directly to the public and providing support services to the other municipal departments. The support services include building maintenance, vehicle maintenance and municipal engineering. These functions, as well as matters pertaining to purchasing and lost work time, were discussed in the second section of this report.

Services provided directly to the public include refuse collection; boardwalk and beach repair and maintenance; park maintenance; the maintenance of drainage basins, roads, curbs and sidewalks; and maintenance of traffic signals. The installation and maintenance of street and traffic signs are the responsibility of the sign shop which is currently part of the police department. It is recommended that the responsibility for all sign work be transferred to the department of public works and incorporated into a restructured road and property division.

Beach and Boardwalk Maintenance

The area of responsibility for the boardwalk staff extends from the Atlantic City-Ventnor City line to a point on the Absecon Inlet northeast of Caspian Avenue and from the line created by the mean high tide to approximately one half block inland of the boardwalk. The boardwalk is undoubtedly the most significant landmark of the City notwithstanding the recent history of casino development and the longer history of the convention center. It is a facility that receives comparatively little use by the permanent residents. The preponderance of walkers, shoppers and joggers are, not surprisingly, tourists.

In 1994 the salaries and benefits for the 33 regular employees and the temporary or part time season personnel totaled approximately \$1,346,342. Included in this total is approximately \$49,250 in overtime payments and \$5,034 in "out-of-title" pay. The review team found that most of this extra income was earned by the supervisors rather than the workers.

Further investigation showed practically no difference in the pattern of scheduling regular personnel between seasons. Possibly more importantly, weekday staffing averaged approximately 29 crew members while weekend staffing averaged less than 10 employees. Personnel working on a tourist attraction must expect to work during the times the public is enjoying the attraction in order to keep the facility clean. Major projects must be undertaken in the early morning hours during periods of minimal use. It is not at all uncommon to find the staffing of tourist attractions to be the lowest on Tuesdays and Wednesdays during the peak seasons. Accordingly, it is recommended the following changes be adopted:

A. Modify the scheduling of boardwalk crew members to reflect the workload demands associated with peak periods of use. This should also make it possible to

eliminate at least \$22,000 in scheduled overtime as well as at least \$6,250 in overtime paid to supervisors.

B. Limit the use of seasonal and part time personnel to the task of augmenting regular crews. The team observed work crews made up of exclusively summer employees.

C. Consider competitive contracting of all replacement and repair work on the boardwalk. Some contract work is already occurring on the boardwalk. A major effort has been made to repair and replace sections of the boardwalk in the hope of reducing the number of tort claims and to present a better facility for use by the public. The city's carpenter repair crew costs at least \$285,000 per year. The team was not able to determine the city's repair cost per square foot. At a rate of \$3 per square foot the City can replace roughly 10 percent of the boardwalk every year for \$255,000. Barring unusual storm damage the average life of a section of the boardwalk should be more than ten years.

D. Reevaluate the number and type of personnel assigned to the boardwalk crew. There are more specialists than there are laborers. Maintenance and light repair work is labor intensive. Due to the seniority of some personnel the cost of a specialist is nearly twice the cost of a laborer. In this case reallocation of the personnel should yield a staff configuration more suitable to the designated assignments.

Of the ten most frequent users of sick leave within the Department of Public Works, four were part of the boardwalk crew. The tenure of these four employees ranged from 14 to 27 years. As of the end of 1994, they had earned 1,095 sick days during their employment and had used 1,014 or 93 percent of their sick days. The pattern of sick leave did not indicate any traumatic illness or an off-the-job injury causing an extended absence. To the contrary, the team found a large number of sick leave days taken before or after a holiday, on the first or last work day in a week and in amounts that normally do not require documentation from a physician.

Overall, 15 of the 33 regular employees on the boardwalk consumed more sick leave in 1994 than they earned. Ten of these employees began 1995 with a sick leave balance of less than six days. There appears to be a culture of indifference toward the work needing to be done as well as acceptance of the abuse of sick leave. Both of these problems must be eliminated through changes in the conduct of the current employees or by replacement of the current employees. In order to sort out those legitimately unable to work on a regular basis who deserve fair and equitable treatment, it is recommended the Council promptly adopt the necessary resolutions authorizing the administrator to proceed with petitions for involuntary retirement. The medical screening process for disability retirements may serve to identify those deserving of the benefit and those who are doing nothing more than displaying a deplorable work ethic.

While the problem discussed above is significant among the boardwalk crew members, it is further recommended the strategy outlined above be extended to all other departments and divisions as needed. Particular attention should be paid to the sanitation division within public works and to the police department.

In addition to improving the value of the expenditure being made on the boardwalk through improved attendance, better scheduling and increased productivity, consideration should be given to the overall strategy for supervising personnel and controlling expenses related to the boardwalk. The boundaries of the Special Improvement District overlap with the municipal responsibility between Albany Avenue and Connecticut Avenue. There is a wide range of opinions as to whether this overlap results in a redundancy in service delivery.

Clearly, two different employers assign and supervise personnel picking up trash and cleaning portions of the boardwalk. The public restroom facilities on the boardwalk and the garden pier structures are the responsibility of the city's building service crews. The beach patrol is part of the police department. The information booths on the boardwalk are staffed by the SID. Overall four different municipal crews and two different SID employee groups are involved in maintaining the area and for providing services to the public. Excluding the expenditures incurred by the Special Improvement District, the operating expense supported by municipal taxes is approximately \$3,204,278 as summarized below:

SUMMARY OF ANNUAL OPERATING EXPENSES ON THE BOARDWALK
(Salaries, wages, benefits other expenses)

Boardwalk Crew	\$1,381,567
Comfort Stations	\$147,649
Garden Pier	\$105,167
Beach Patrol	<u>\$1,569,895</u>
TOTAL	\$3,204,278

This total does not include any debt service or any allocations from the Capital Improvement Fund. Capital expenditures have been significant including the restoration of the boardwalk and construction of the garden pier. The \$3.2 million operating expenditure for the use and enjoyment of the boardwalk by individuals from all over the world is supported by approximately 5.24 cents of the municipal tax rate. The extent to which this is an appropriate use of municipal tax revenue or the extent to which some degree of financial equity can be obtained through external funding is a major, long term policy decision. Nevertheless, it is recommended the City implement the following to effectively control and accurately measure this expenditure every year:

A. Subject to the approval of the Director of the Division of Local Government Services of the New Jersey Department of Community Affairs, establish a single budget

appropriation for this purpose. This may include the creation of a boardwalk utility. This would permit the City to consolidate all boardwalk expenditures into one budget. At the outset the sole revenue source may be an allocation from the current fund. However, the enhanced budget control should prove to be very useful in the long term.

B. Consolidate all boardwalk functions into one focused department. The elimination of overstaffing, unnecessarily long retention of seasonal employees particularly in the beach patrol, as well as elimination in the redundancies among supervisors should more than offset any cost associated with employing an effective department head experienced in the management and maintenance of this major tourism facility. The creation of a department with a dedicated budget may improve the opportunity to generate earmarked revenues thereby reducing the burden on the municipal tax rate.

The proposed department and dedicated budget should remain under the control of the business administrator, mayor and council. It should be treated like every other municipal department. There is no need to form a separate commission, authority, agency or advisory board. The excessive bureaucracy and related expense resulting from creating a separate agency would offset any savings or improvement in management control and unnecessarily expand an already disjointed and uncoordinated delivery of public services.

C. Resolve all overlaps and redundancies between services provided by the municipality and the services provided by the Special Improvement District. Even if one accepts the view that the SID services are above and beyond those associated with basic municipal services the fact remains that several overlaps and redundancies exist.

Refuse Collection

Refuse in the City is normally picked up on Monday through Thursday. Six routes are covered each day. Nothing is scheduled for regular pickup during the day on Friday. In addition to the daytime routes and crews, there are two routes picked up Monday through Friday evenings. During two evenings per week, additional refuse pickups are made in the downtown area. The three remaining evenings are used to pick up refuse at the city's facilities.

Normally each of the twenty cubic yard trucks that are assigned routes is staffed by three employees. Overall there are 18 employees assigned to the daytime routes and 13 assigned to the evening shift. There are three additional "floating" staff members. In 1994 the salaries, wages and benefits for these 34 employees totaled approximately \$1,059,450. Landfill scale "tipping" reports for the same year show the City delivered approximately 15,222 tons of refuse to the landfill. The garbage collection crews hauled approximately 14,885 tons while the balance was delivered to the landfill by the boardwalk crews. Based upon a tipping fee of \$120 per ton the City paid approximately \$1,786,200 to Atlantic County in tipping fees for the material delivered by the sanitation crews. The sum of salaries, wages and tipping fees yields an average cost of approximately \$191 per ton.

This total does not include the cost of maintaining the trucks or the annual debt service resulting from the purchase of eight new trucks in 1990.

In general cost comparisons of garbage services are separated into the cost of moving the refuse and the cost of tipping fees. Tipping fees are usually the same for every hauler. Based upon the identified personnel cost of \$1,059,450 the City is paying approximately \$71 per ton to pick up and haul refuse. Competitive rates paid by New Jersey municipalities that have chosen to contract this service range from \$33 to \$48 per ton. Atlantic City is spending from \$23 to \$38 more per ton than some of its municipal counterparts. This equates to an additional annual expenditure ranging from approximately \$342,355 to \$564,490.

Earlier in this review, we reported that, based upon an analysis of time cards, the daytime crews were actually working about 94% of the time for which they were paid while the evening shift worked only 70% of their scheduled hours. This assessment did not take into account the fact that the day shift employees work on Friday but that no routes are scheduled. The City should adopt one or more of the following recommendations:

A. Eliminate the evening shift. The review team was unable to determine the total amount of refuse collected by the evening shift. It is highly unlikely that the productivity warrants the personnel expense of approximately \$483,254.

B. Redesign the routes and schedule pickups at least five days per week. This will permit the City to operate fewer trucks at one time thereby providing time for preventive maintenance and repair. It would also permit the City to pick up the business district every weekday which is quite common throughout New Jersey. Given the importance of cleanliness in a tourism economy, consideration should be given to six pickups per week in the business district.

C. Begin the standard workday earlier, particularly for the crews assigned to the business district routes. This will permit every truck to return to the yard empty, at the end of the day which is not now occurring. It will also accelerate completion of the routes because of the delays caused by rush hour traffic. Given the geographic characteristics of Atlantic City, it should be possible to start each crew in the business district and then move to the residential areas at a time of day that is not offensive to the community.

D. Pay the crews for the hours actually worked. Although incentive systems are not uncommon among refuse collection crews, the current collective bargaining agreement does not permit this system.

E. Reduce the city's personnel cost to reflect market rates or competitively contract the service. If twenty employees were assigned to refuse collection at the current average cost of \$31,160 per employee the city's personnel expense would be approximately \$623,200 or \$41.86 per ton.

Sanitation

The 1994 audit shows a total salary and wage expenditure for the sanitation division to be \$2,798,464. The cost of benefits added to that total personnel expense increases the department total to approximately \$3,498,080. The \$2,318,148 over the cost for the 34 refuse collection employees is used to compensate approximately 56 additional personnel as listed below:

- * Four sanitation inspectors
- * Thirteen laborers
- * Seven equipment operators
- * One garage attendant
- * Six motor broom operators
- * Five to be detailed out
- * One supervisor of laborers
- * Seven bulk refuse crew members
- * Three "G.A.P." personnel
- * Four mowing crew members
- * Five city yard personnel

The average personnel cost for these 56 positions is approximately \$41,395 per year. The cost is roughly equivalent to the revenue generated by 3.78 cents on the municipal tax rate. To enhance the productivity and to reduce the cost the review team makes the following recommendations pertaining to the sanitation division:

A. Rename the existing "asphalt division" to the "road and property division" and move the four person mowing crew and the seven equipment operators into it. This will consolidate more heavy equipment into one division for proper assignment and supervision. It will also enhance the coordination of the mowing of the rights of way and the mowing of vacant lots.

Consideration should also be given to contracting the mowing of privately owned vacant lots thereby permitting the municipal crews to concentrate on publicly owned lands. In either case, the revenue and finance department must be prepared to bill the property owners and/or work with the municipal attorney to file liens for the expenses incurred. A significant advantage to contracting this work is the ability to avoid the entire internal billing procedure to include accurate recording of work time rates and other expenses.

B. Modify the routes and schedules of the motor broom operators to resolve overlaps with the Special Improvement District and to minimize the difficulties caused by traffic and parked cars. It is also recommended the city council adopt an ordinance permitting the towing of vehicles parked in areas designated for street sweeping.

C. Eliminate the sanitation inspectors. The division supervisor should be assigned the responsibility of ensuring thorough, timely and courteous work. Matters of public health are the responsibility of the health inspectors. The sanitation supervisors can notify them of potential problems. The reduction of four positions would save approximately \$165,580 per year.

D. Eliminate the bulk refuse crew. Most bulk refuse will not be accepted at the landfill. As a result it tends to be more expensive to haul and dump than other waste. Other forms of bulk refuse, such as air conditioners and refrigerators require special handling permits due to the freon content. Generally bulk refuse is considered to be the responsibility of the property owners or their contractors, particularly if there has been some remodeling or renovation work. If the City chooses to have a spring cleanup or quarterly pickups of bulk refuse, then a temporary task force can be formed consisting of equipment operators, truck drivers and laborers to complete the task. Elimination of these seven positions will save the City approximately \$289,705 per year.

E. Review the need to maintain a pool of 13 laborers ostensibly used to sweep areas by hand. If five of these positions were eliminated the annual savings would be approximately \$192,230. The review team found that generally this crew was used as substitutes in response to the sick leave abuse problem. It was rare to see them performing the assigned task of hand sweeping.

THE DELIVERY OF HUMAN, HEALTH AND SOCIAL SERVICES

The City of Atlantic City operates the most comprehensive package of locally supported human, health and social service functions seen by a local government budget review team. Based on data contained in the 1994 audit, the City spent; \$4,880,920 in health and human service salaries, wages and benefits; \$1,882,926 in health and human service “other expenses”; \$2,689,366 in grant “offset” expenditures and \$85,000 on direct allocations to five agencies for a total of \$12,082,825. The budget contained approximately \$2,514,642 in directly related revenues from grants or allocations made by the state and federal government.

The taxpayers of Atlantic City paid approximately \$9,538,212 or about \$258 per permanent resident through the local property tax for these services. Approximately 15.58 cents of the municipal tax rate is needed to fund the difference between the budget revenues and the program expenses. Additional “off-budget” expenses occurred in programs such as the community development block grant projects and services. These were offset by an equal amount of “off-budget” grant revenues.

If Atlantic City taxpayers had been required to pay the county library tax and the county health services tax in lieu of subsidizing municipal services the cost would have been approximately 5.8 cents per \$100 valuation. This is not to suggest the same level of service or even the same type of services would have been provided by Atlantic County. It does reflect the unusually high cost of human, health and social services in the City. A significant portion of the difference between the levels of expenditure is attributable to the fact that the City has undertaken services commonly provided at the county level.

The delivery of the health, human and social services involves the department of health and human services, the municipal library and the community development block grant (CDBG) program staff within the department of planning and development. The salaries, wages and expenses of the CDBG were not included in the expenditure estimates provided above. The general categories of services can be summarized as follows:

Health Functions

- County Environmental Health Act Enforcement
- Animal & Rodent Control
- Food, Restaurant & Other Health Inspections
- Social Detoxification Program
- Multi-County HIV Grant/Programs
- WeeCare & Immunization Programs
- Health Clinics (contract service)
- Food Handlers Training

Social/Welfare Functions

- General Assistance
- Special Meal & Transportation Programs
- WIC Program
- Community Programming
- Senior Citizen Outreach

Human/Leisure Functions

- Youth Services
- Municipal Library
- Summer/Outreach Programs
- Recreation

Community Development Block Grant Programming

- Capital Projects/Public Facilities
- Program Grants/Public Services
- Housing Rehabilitation
- Economic Development
- Planning
- Program Administration

The extent to which these services are provided by the local government and the extent to which the taxpayer must subsidize these services is appropriately a matter of local discretion and decision making. The review team did not make any judgments or assessments regarding the need for the services. Where appropriate comments are made on the organizational differences in the Atlantic City-Atlantic County delivery system and the common relationships found in other counties in New Jersey.

The team found significant overlaps and duplication of services. In addition, the City has not developed non-tax revenue sources to offset the tax burden; made little effort (until 1995) to collect delinquent housing improvement loans; and, maintained a laissez-faire attitude toward screening the eligibility of recipients obtaining services or assistance. The existence of a dedicated service focused on serving a special population does not reduce the need to minimize the cost of providing the services. To the contrary, the importance of maximizing the value of every expenditure is increased as the taxpayer is subsidizing services that do not directly benefit everyone. Accordingly, recommendations are made in ten areas or groups to address these concerns.

A. Health Permit Inspections and Fees. Atlantic City health inspectors must visit every restaurant at least once a year. In addition they must visit other businesses in which there is a need to ensure the public health. These include non-residential pools, mobile food vendors, wholesale and retail grocery outlets, day care centers, etc. Based upon data summarizing restaurant inspections, the team found that approximately 35 percent of the sites required a re-inspection to ensure the business had corrected deficiencies found during the initial inspection.

All of these inspections are done at the expense of the taxpayers and at no direct cost to the businesses. While the review team has recommended the elimination of several mercantile license fees because of their questionable relationship to public health and safety, the same is not true for health inspections. It is permissible to charge a fee for a specific service that is rendered. Atlantic City taxpayers do not pay any type of dedicated or restricted health services tax. It is also reasonable to develop a system in which a business having major health regulations discrepancies must pay for re-inspections and/or pay penalties for repeated violations.

It is recommended that the Council adopt an ordinance establishing an initial fee for a health permit, a fee for major re-inspections resulting from unsatisfactory evaluations, and a sliding scale of renewal fees predicated upon the record of past violations and inspections. Using a sliding scale for the cost of renewal permits will result in the sites generating the most work paying the most for their permits. Consideration should also be given to basing the initial fee on a criterion that reflects the complexity of the inspection, i.e. square area of food preparation and serving areas, seating capacity, etc. If the average fee was \$100 and the cost of comprehensive re-inspections resulting from multiple violations was 50% of the base fee then it is reasonable to project that the City would receive approximately \$117,500 in non-tax revenue from the restaurant inspections alone. Additional revenues would be generated by permits and inspections of other businesses having a potential impact on the public health and welfare.

The incremental cost of collecting these fees should be minimal. As previously recommended, the health inspection functions should be combined with the fire safety and mercantile inspections.

B. Recovering the Indirect Costs of Grant Services. The City receives several grants from the State of New Jersey Department of Health for the delivery of specialized services such as the healthy mother-healthy baby program, prevention of fetal alcohol syndrome, HIV counseling and testing, and the women & infant care (WIC) program. Normally these services are provided at the county level. With the possible exception of the HIV counseling and testing program, it does not appear that the City is recovering any of its indirect costs such as the expense of employee benefits through these grants.

The review team found that some of the senior staff were opposed to including these costs when computing the total program cost or determining the amount to seek through the grant application process. It was argued that if indirect costs were included then the funds available to serve the public would be diminished. The fact remains that the cost of employee benefits and other indirect costs such as vehicle use and maintenance are an integral part of the total program costs. By excluding them, the program budgets are understated. The understated cost is transferred to the local tax burden every year.

The extent to which the indirect program costs are excluded from grant applications because of limits for overhead and administrative expenses is a good indication of excess

staffing and inefficiencies. The indirect cost of benefits for the entire Department of Health and Human Services is approximately \$1,126,366. Not all of this cost can be tied to grant based services. The review team did identify 43 positions directly related to the delivery of services supported by grants. These include eight positions in the HIV testing and counseling program, five positions in the healthy mothers-healthy babies program, four positions in the fetal alcohol syndrome prevention program, five positions in the women & infant care program, six in the senior citizen nutrition programs, seven in the senior citizen outreach programs, and eight in the senior citizen transportation programs.

Many of these programs serve individuals living outside Atlantic City. Some overlap and duplicate services offered by Atlantic County. It is questionable whether the municipal taxpayer should be responsible for underwriting any of the program costs. It is recommended the City incorporate the cost of employee benefits and other indirect costs in its program grant applications. Generally, health program grants are predicated upon measures of output or productivity. It should be possible to include these costs in the grant applications without adversely affecting the money available to serve the public. Based on an average cost of \$9,000 per position for benefits the City would save approximately \$387,000 if this cost was included in grant allocations for the 43 positions identified above.

In cases where there are grant regulations limiting overhead costs, it is further recommended that the City work to reduce its total cost to fall within the limits provided by the grant or work to consolidate the municipal program with county or regional programs. Specific recommendations addressing overlapping and redundant programs are provided below.

C. The Local Cost of Regional Programs Provided by the City. Atlantic City received approximately \$340,428 from the New Jersey Department of Health to conduct a five county regional HIV counseling and testing program. The total program cost in 1995 was projected to be approximately \$385,552. Recovery of all direct and indirect costs becomes even more important when services are being provided outside the city limits. To the credit of the staff, the HIV grant application did recover approximately 46.5 percent of the benefit costs for the personnel paid through the grant.

The regional approach to delivery of this vital health service is noteworthy. Employees within the New Jersey Department of Health recognized the Atlantic City program as one of the most active and well run programs in the state. Nevertheless, an argument can be made that the taxpayers of Atlantic City are subsidizing services delivered to residents of Atlantic, Cape May, Cumberland, Gloucester and Salem Counties. If the Atlantic City portion of the program cost is considered an in-kind match to the grant, then the question must be asked what type of in-kind match is provided by the five counties? The City is not receiving any revenue or reimbursement from the five counties benefiting from the services being provided.

It is recommended the City actively seek 100% of the HIV program cost through additional grant funds provided by the state or through budget allocations from the five participating counties. In 1994 there were 3,975 HIV tests administered outside Atlantic County. An additional 1,596 tests were administered in Atlantic County but outside Atlantic City. In effect the City is functioning as an agent of the state by providing this regional service. Making the City whole through additional grant funding or county budget allocations would save the Atlantic City taxpayers approximately \$45,124 per year.

D. The Provision of a Local Detoxification Program. The Atlantic City program is defined as a social detoxification program and is therefore ineligible to receive certain grants and insurance reimbursements. In 1994 the only program revenue was a \$76,670 grant from Atlantic County. The County also makes an additional in-kind grant by providing meals to the program. Excluding the value of this in-kind grant the program cost was approximately \$598,350. The average cost per bed day was approximately \$53.00. In the only other government sponsored social detoxification program identified by the review team the average cost per bed day was \$35.83.

In Trenton, a non-profit corporation operates a social detoxification program on behalf of Mercer County and the City of Trenton. A primary motivation for maintaining this program is that provides a less costly alternative to incarceration in the County jail. Approximately 71 percent of the total budget is underwritten by an allocation from Mercer County. Mercer County relies on its share of the alcohol beverage tax received from the State of New Jersey to underwrite the allocation although it also includes an additional allocation in its general operating budget.

The fact that the Atlantic City detoxification center also functions as a shelter for the homeless makes it difficult to pursue accreditation as a medical detoxification program. Given the significant cost of the program it is recommended that:

(a) Alternatives be found for sheltering the homeless. Other non-profit agencies and service organizations within Atlantic City focus on serving the homeless. Some of these are funded through the City's community development block grant program.

(b) Consideration be given to competitively contracting the operation of the program, particularly if it will increase the chances of becoming eligible for insurance reimbursement,

(c) Pursue additional grant funding particularly from agencies receiving alcohol beverage taxes. If the cost per day to maintain a bed at the detoxification center is equal to or less than the cost of maintaining an inmate in the County jail then it should be in the best interest of the County to actively support the funding of the detoxification center.

(d) Relocate the program into an existing public facility or other rent free facility to eliminate \$60,000 annual rental payments.

If the cost per day could be lowered to match the Trenton-Mercer County program cost of \$35.83 per day the savings would be approximately \$150,584 per year.

E. Women and Infant Care (WIC) Program Services. WIC is a federally funded program conducted under rather specific federal regulations. The City is recognized as the lead agency even though the County has a greater caseload. In 1994 the City received \$156,000 in grant funding for the program. The City allocated an additional \$152,843. Atlantic County received approximately \$206,000 in grant funds for its WIC program.

Given that the WIC services are closely controlled by federal regulations there should be no significant difference in the services provided by the City and the County. There is simply no reason to have one program operated in the county seat by a municipality and another program for the remaining 16 municipalities. It is recommended the City petition the New Jersey Department of Health for permission to cede its WIC program to Atlantic County. The economy of scale resulting from operating one uniform service should generate considerable savings. Even if the City had to subsidize the county staff in an amount equal to 50 percent of the current local expense the savings to the taxpayer would be approximately \$76,422 per year.

F. The Administration of the Municipal Public Assistance Program. During 1994 the City spent approximately \$831,005 in salaries, benefits and other expenses to operate the city's public assistance or welfare office. The 26 member staff consists of nine administrative positions, one security guard, two caseload supervisors, one investigator and thirteen "contact" positions directly involved in interviewing clients and managing cases.

Atlantic City has 3.57 welfare cases per 100 residents. This is the highest ratio of cases to residents in the State of New Jersey. In Camden there are approximately 3.25 recipients for every 100 residents; in Asbury Park the ratio is 2.5 recipients for every 100 residents and in Newark there are 2.4 people receiving assistance for every 100 residents. The average monthly caseload in Atlantic City is approximately 1,357. Approximately 80% or 1,085 welfare recipients are defined as "employable." The employable individuals have remained on the welfare rolls an average of 15 months.

Two of the discernible reasons for the large caseload is the lure of Atlantic City for those who are homeless or destitute, and the addition of 18 year olds who have been dropped from the County's Aid to Families With Dependent Children (AFDC) program. A third plausible explanation appears to be the relatively lax enforcement of welfare eligibility. As noted above, in a staff of 26 full time positions there is one full time investigator. Additional investigative work is done by the caseworkers, however, there appears to be little success in reducing the rolls through disqualification. Welfare recipients interviewed while waiting to visit with their caseworker freely admitted the "system is slack." One of the recipients stated he lived in Cape May County but was using the address of a relative.

It is recommended that the staff be restructured to add additional full time investigators. If the number of administrative positions was reduced to 25 percent of the total staff then three additional investigators could be hired at no additional cost to the City. In addition, it is recommended the security guard position be replaced by a municipal police officer on duty. Given the abundance of workers compensation cases generated in the police department it is highly likely that an officer in a restricted duty status can fulfill this assignment.

In municipalities where investigators have been added to the staff the local budget review teams have found a significant drop in the number of people receiving public assistance. It is reasonable to project that given the significant number of entry level positions in the tourism industry and the high percentage of employable recipients in Atlantic City the caseload can be significantly reduced. As a matter of comparison, there are approximately 500 welfare cases in the 16 other municipalities in Atlantic County.

For example, if assistance to employable recipients was terminated by the end of the sixth month due to job placement or another factor making them ineligible the City's caseload would drop by approximately 284 cases per month. The reduction in public assistance payments would be approximately \$224,400. This savings would not accrue to the City budget since the state reimburses every municipality for 100% of the eligible public assistance expenses. Nevertheless, it would be a significant reduction in the overall cost of government.

G. Housing Rehabilitation Programs and Strategies. As noted in the discussion of strategic issues in Section One, the restoration of Atlantic City as an attractive place to reside is fundamental to the long term success of the community. An integral part of the effort to meet this objective has been, and should continue to be, the renewal of the existing housing stock. A major component of this effort has been the Voluntary Improvement Preservation or VIP loan program funded through the community development block grant program. Unfortunately, this program has many serious problems. The tremendous lag in the repayment of loans appears to be inhibiting the city's ability to accelerate the restoration of the residential areas of Atlantic City.

There are approximately 376 active low interest or zero interest loans. The review team was advised that a decision was made in the mid 1970s to establish a loan program rather than make outright grants to low and moderate income families living in homes needing renovation. The intent was to develop a perpetual or revolving fund to be used for additional loans. Several of the existing loans date back to 1976. Had the program been properly managed and controlled the goal of having a strong revolving fund would have been achieved.

The VIP loan records are manually maintained by clerks working in the office of the cashier. Until 1995, there was little to no effort to address delinquencies and other

problems inherent in the program. To suggest that the failure to control and manage the existing loans rests with clerks working in the cashier's office is terribly unfair to that staff.

After establishing a data file based on the payment cards and other hand written records the review team found:

- Approximately 66% or nearly 250 of the loans are delinquent. 65 of the loans are more than 60 months delinquent. The balance on the delinquent loans is approximately \$4,100,000.
- The balance due on the 128 performing loans is approximately \$1,200,000.
- Four loans in excess of \$100,000 have been made. All of them are delinquent. It appears that at least one of them was made to an absentee landlord.
- At least 56 sets of multiple loans exist with either the same individual or couple receiving two or more loans on the same property. We believe that 41 individuals or couples received two loans; 14 have received three loans and one has received four loans. Payment on three sets of loans has been deferred. In some cases the loan dates are identical. While some of this may be due to the fact that a portion of the money was loaned interest free while another portion was loaned at a low interest rate, in many other cases there is no readily apparent distinction in interest rates or other reasons for multiple loans.

The time between the first and second loan in 28 of these cases was 12 months or less. Many of these the second loans were for a relatively small amount. The additional loan appears in some cases to have been made to cover cost overruns or other unexpected costs. Nevertheless, ten of these 28 pairs are delinquent.

In the remaining 25 sets of loans, the time between the initial and subsequent loan was more than 12 months. In some cases it was several years. 18 of these sets of loans are delinquent. It appears that some the second loans were made at a time when the first loans were delinquent.

- It appears that approximately 38 current or former employees have received loans through the program. At least two appear to have been made to current or former employees earning more than \$50,000 per year. The review team is not aware of any federal or local regulation prohibiting employees from applying for the loans. Given a total population of 37,000 residents it is curious that 10 percent of the existing loans were made to current or former employees. The low and moderate income regulations would appear to disqualify a vast majority of the municipal work force.

The City cannot permit the frustrations and problems with the current VIP loan program to reduce the effort to upgrade the existing housing stock. Given that the VIP loan funds come from federal CDBG dollars any proposed solution to the existing problems will

probably require HUD approval. In the interest of resolving the existing problems and moving forward with the stated objective, the review team offers the following recommendations for consideration:

(a) If not already done, immediately suspend the execution of any new loans until the application and eligibility screening procedures as well as sound management and control procedures for executed loans are in place. The City may want to consider contracting the entire process to a lending agency or other firm managing these issues on a regular basis.

(b) Consider the opportunity and value of a sale of the performing loans. The City could receive an infusion of money to revitalize the proposed revolving fund and the responsible families who are paying their notes on time will establish a positive performance record with an established lending institution.

(c) Establish payroll deductions for loan payments being made by employees. This should be a term and condition of any future loans made to municipal employees or employees of other public agencies.

(d) Aggressively pursue foreclosure on all delinquent loans. In recognition of the fact that over 240 foreclosures cannot be started simultaneously it is further recommended that the Council adopt a resolution establishing the priority of actions to be taken. For example, there are four loans in excess of \$100,000 that are delinquent, five loans in excess of \$25,000 that are 60 or more months delinquent; there are 12 loans in excess of \$20,000 that are 36 or more months delinquent; and, there are approximately 60 other loans for various amounts that are 60 months or more delinquent. As suggested in a previous section of this report addressing the collection of delinquent taxes, the act of authorizing and initiating foreclosures will motivate many individuals to bring their account current. It may be plausible to consider assigning the foreclosure work to the tax attorney proposed in an earlier section of the report.

(e) To expand the pool of money dedicated to the restoration of the existing housing stock and the City's affordable housing program, we recommend the Council consider an ordinance establishing a development fee pursuant to the regulations of the Council On Affordable Housing (COAH). Given the magnitude of development in Atlantic City, establishing a minimal would generate considerable revenue. In order to implement the ordinance Atlantic City must first submit a housing plan to COAH for review and approval.

H. The Use of Community Development Block Grant Funds. Community Development Block Grant funds are received by the City from the federal housing and urban development department. The focus of the program is to improve the well being of low and moderate income families in the City.

Because these funds are received from the federal government all expenditures are managed under the accounting system used by most states and the federal government, which is called the “Generally Accepted Accounting Principles” for government budgeting and accounting. Allocations between budget years and the manner in which encumbrances are reported is significantly different from the budget management and auditing practices used in New Jersey. In the interest of minimizing the differences in accounting and reporting practices as well as the difference in the fiscal calendars, the review team analyzed the 1994 program budget, and the projected 1995 program budget.

The combined budget total for CDBG expenditures in 1994 and 1995 is approximately \$15,007,308. The major expenditure categories are summarized below.

SUMMARY OF COMMUNITY DEVELOPMENT BLOCK GRANT BUDGETS

<u>Expenditure Category</u>	<u>Program Year 94</u>	<u>Program Year 95</u>	<u>Budget Total</u>	<u>Percent of Total Budget</u>
Public Facilities	\$5,443,218	\$ 790,191	\$6,233,409	(41.5%)
Housing Rehab.	\$3,003,143	\$1,299,000	\$4,302,143	(28.6%)
Economic Devel.	\$1,596,569	\$ 147,000	\$1,743,569	(11.6%)
Program Admin.	\$1,278,473	\$ 233,361	\$1,511,834	(10.1%)
Public Programs	\$ 656,905	\$ 435,339	\$1,092,244	(7.2%)
Planning	\$ -0-	\$ 124,129	\$ 124,109	(1.0%)
TOTAL	\$11,978,308	\$3,029,000	\$15,007,308	

The documents used by the review team indicated that approximately 80 percent of the 1994 program year expenditures had not been made as of June 1995. This may provide some explanation as to why the 1995 program budget is considerably lower.

It is important to note that the totals for some of the categories contained in the chart above may be somewhat misleading even though they are reported in accordance with the CDBG program guidelines. Specifically, in the 1994 program year the totaled budgeted expense for salaries and wages and other costs of operation was approximately \$2,542,488 or 21% of the budget. The difference can be attributed to the fact that the salaries and wages budgeted in the housing rehabilitation program were approximately \$1,012,515 and the economic development category contained an additional \$251,500 in salaries.

The scheduled expenditures for planning total approximately \$3,734,039 or about 25 percent of the combined total budgets. \$3,609,930 has been programmed for feasibility studies, design work, bids and specifications in the public facility category. Some of the projects for which planning expenditures are scheduled include (a) planning and design of new playgrounds, (b) traffic study for the proposed baseball stadium, (c) boardwalk rehabilitation, (d) fire station plans and specifications, (e) urban renewal tract infrastructure planning, and (f) various street beautification projects. The 3.6 million

dollar allocation for planning and design represents 57.9% of the combined public facilities budget. A summary of the scheduled public facility expenditures is provided below:

PROGRAM YEAR 1994 AND 1995 PUBLIC FACILITIES EXPENDITURES

<u>Type of Expenditure</u>	<u>Amount</u>	<u>Percent</u>
Planning, Design, Specifications	\$3,609,930	57.91%
Playgrounds & Play Areas	\$733,036	11.76%
Athletic Fields	\$579,768	9.30%
Streetscape/Beautification Projects	\$519,768	8.33%
Public Areas & Buildings	\$427,691	6.86%
Streets/Infrastructure Improvements	\$178,577	2.86%
Not Otherwise Classified	\$184,560	2.98%
TOTAL	\$6,233,409	

At the time of the review only \$594,604 or 23 percent of the 1994 budgeted amount had been reported as encumbered or expended. Given the decision to budget a significant amount for salaries and wages that are actually paid through the city's payroll system, it is recommended the CDBG staff be more aggressive in appropriately encumbering salaries, wages and other operating expenses in order to provide timely reimbursements to the City. This will improve the cash flow of the City which will in turn will improve the ability of the finance staff to increase the non-tax revenue derived from the investment of the unused fund balances. Said another way, there is no need for the City to loan the CDBG program money through delayed reimbursement of amounts due and payable.

In a previous section of this report, it was recommended that the Office of the City Engineer serve as the coordinator and clearinghouse for all capital improvement projects. This recommendation was made with the intent of ensuring timely scheduling and completion of all projects. It is recommended the capital construction projects financed with CDBG funds be included in the effort to accelerate substantive, visible progress. One elected leader aptly summarized a general sense of frustration over the lack of capital construction work directly benefiting the residents when he said "We've been studied enough. It is time to do something."

Public Service Expenditures. Nearly all of the public service expenditures are grants to a non-profit, church or service organization. In 1994 approximately 65 organizations were scheduled to receive \$656,905. \$189,075 had actually been spent. Another \$261,259 had been obligated for a total of approximately \$450,3334. Approximately 69 percent of the amount budgeted had actually been used or obligated.

The review team found that the amount obligated exceeded the amount expended. The team also found that in some cases funds had been obligated with no supporting documentation and for no apparent reason. The misdeeds of randomly identified incidents should not be used to discredit the work of all others. It is recommended that procedures for verifying reimbursement requests and other expenses generated by outside agencies be

reviewed and strengthened. It is important to note that local budget review teams assigned to other cities have identified significant problems in the management, control and record keeping of grant funds. It would be in the best interest of the Atlantic City CDBG program to scrutinize this expenditure category carefully.

The proposed grants and allocations for public services in 1995 totaled approximately \$435,339. This total does not include the 1994 funds that were obligated but not yet expended. The proposed allocations can be loosely categorized as follows:

PROPOSED 1995 PUBLIC SERVICE EXPENDITURES

<u>Type of Expenditure</u>	<u>Amount</u>	<u>Percent</u>
Job, Job Training Programs	\$75,500	17.34%
Health & Counseling Services	\$65,250	14.98%
Not Otherwise Classified	\$65,000	14.93%
Art, Culture, Festivals	\$59,314	13.62%
Salvation Army	\$42,500	9.76%
Youth Programs	\$32,125	7.37%
Code Enforcement Education	\$25,000	5.74%
Daycare, After School Programs	\$22,500	5.16%
Housekeeping for Seniors	\$18,500	4.24%
Athletics	\$18,000	4.13%
Tutoring, Education	\$ 9,900	2.27%
Legal & Administrative Costs	\$ 1,750	.40%
TOTAL	\$435,339	

The categories used above are not mutually exclusive. For example, some of the services listed under youth programs may include counseling and tutoring however this did not appear to be the primary focus of the organization to which the allocation was made. The single largest expenditure group overlaps with the economic development category within the community development block grant program.

The need to focus on job training programs cannot be underestimated given the high unemployment rate in the City as well as the seasonal nature of many of the existing jobs. It appears that this need has been translated into an usually large number of programs that are not coordinated or complimentary. The \$75,500 allocation shown above is split between at least six different programs. Within the economic development expenditure category there is at least one allocation of \$45,000 for the Atlantic City First program as well as allocations to specific businesses for the purpose of underwriting or retaining a limited number of jobs. The planning expenditure category section contains yet another allocation of approximately \$25,000 for a mixed used job training facility.

It appears that control of a job training program has more significance than the result of preparing citizens for jobs. Given the existence of the JTPA program as well as the County college and public school facilities, as well as proposals for additional casino

training at the old high school, it is recommended that the City initiate an effort to reorganize and refocus all of the skills training and job preparation programs into a coordinated effort, preferably under the auspices and responsibility of one organization. A well coordinated and consolidated program should permit considerably more money to be put into actual job training rather than program administration and other redundant costs. The review team recognizes and acknowledges that it will take the cooperation of many agencies and groups, including the trade unions, to achieve a well coordinated and effective program focusing on the needs of the unemployed.

I. Opportunities for Cost Reduction in the Operation of the Municipal Library. When statistical comparisons are made to libraries of similar size or in towns having similar profiles there is considerable evidence suggesting the services delivered by the Atlantic City Municipal Library are exemplary. However, the on-site review work and analysis of budget and audit documents reveals a significant number of shortcomings that when addressed will provide opportunities for cost reduction.

In the interest of continuing the library's history of effective and popular services while at the same time significantly improving its financial accountability the review team recommends consideration be given to the following:

(a) Eliminate the overlapping insurance policies. In the course of the library review and the review of the city's risk management process the team found insurance policies purchased by the library providing the same coverage that already exists within the municipal portfolio of insurance. There does not appear to be any coordination of benefits. In the case of a tort liability or damage to the structure it is unlikely that both insurance companies would accept the claim and make payments. Elimination of the overlapping policies would save the library at least \$24,000 per year.

(b) Explore the feasibility of contracted custodial services. The 1994 actual expenses for "building maintenance," "cleaning" and "janitorial supplies" was approximately \$41,506. Without considering personnel costs for custodial and maintenance work, the amount expended is roughly equivalent to a contract price to clean approximately 55,341 square feet. One and one half building maintenance worker positions are included in the salary and wage budget for an additional expense of at least \$39,000, a portion of which is directly underwritten by the City. A similar recommendation has been made for the custodial and light maintenance work in the City hall. It should be possible to incorporate the library into any plans to contract for these services.

(c) Reduce the security expense. The 1994 proposed budget for security was \$30,000. The actual expenditure was \$54,528, or 95 percent over budget. In manner similar to that which was recommended for the public assistance office, the Atlantic City Police Department may be able to provide security services at no cost to the library using personnel that cannot otherwise be assigned to patrol or detective work. If a cost

effective arrangement cannot be developed with the police department then it is recommended that the library pursue a competitively bid contract for security services. This should prevent any significant cost overruns.

(d) Significantly strengthen controls over actual expenditures. In 1994 the proposed budget for the “other expense” lines was \$496,000. The actual expenditures were \$838,389. 21 out of the 34 other expense budget lines were overexpended. Notable among these were: (a) \$117,366 for equipment and furniture that had not been budgeted at all, (b) a \$52,298 cost overrun for professional services, (c) a \$23,283 cost overrun for equipment maintenance, (d) a \$39,515 cost overrun for the purchase of books, (e) a \$24,284 cost overrun for periodical subscriptions and (f) the \$24,528 cost overrun for security services discussed above. Some of these may have been handled through amendments to the budget, but the number of budget lines overexpended and the significant difference between proposed and actual expenses is indicative of the need to strengthen controls and the amounts expended.

Fortunately for the library, amounts over budgeted in the salary and debt service categories offset most of the over expenditure in the other expense category. The net over expenditure for the entire budget in 1994 was approximately \$164,142 or 7.2 percent of the total amount spent..

(e) Improve the accuracy of salary and wage cost estimates contained in the annual budget. The impact of vacancies did not appear to be considered when determining the amount to be budgeted for salaries and wages. This resulted in approximately \$169,500 that was budgeted but not expended. Presumably a major part of every budget review is a discussion of whether vacancies are to be filled and when they are to be filled. It is not necessary to budget 100 percent of the salary expense for a vacant position unless a specific candidate has been selected and a definite starting date has been set prior to the beginning of the upcoming fiscal year.

(f) Significantly improve the accuracy of the revenue estimates contained in the budget. The 1994 proposed budget called for the use of \$338,389 of the unrestricted fund balance as an operating revenue. In fact, very little, if any, of this money was needed for two reasons. First, more than \$100,000 of readily known, recurring revenues were not included in the budget. Second, in spite of the cost overruns outlined above the sum of the municipal allocation, the operating revenues and state aid exceeded the total expenditure. In fact, the library’s fund balance increased by approximately \$127,563.

(g) Related to item “f,” utilize the unrestricted revenue as a means of absorbing the cost of employee benefits into the library budget while other cost reductions are implemented. The City made a direct allocation of \$2,625,000 to the library. In addition, the City paid for the cost of employee benefits such as health insurance. The estimated cost to the City was approximately \$250,000. This expense should be included in the library budget or deducted from the municipal allocation.

K.. Senior Citizen Program Overlaps. The program provided by the City to the senior residents of the town include transportation services, nutrition and meal programs and focused outreach and referral services. In addition, in the 1994 and 1995 program years community development block grant allocations totaling approximately \$199,825 were made to organizations providing services to the elderly. These included grants to (a) the housing authority for housekeeping of seniors' residences, (b) the Salvation Army and (c) Jewish Older Adult Services for medical care.

In 1994 the municipal expense for senior citizen programs and services was approximately \$773, 787. This expense was partially offset by \$36,832 in grants from the Atlantic County Office on Aging and partial reimbursements for meals estimated to be approximately \$33,900. Based upon the city's estimate that one-third of the resident population are senior citizens, then the net expenditure per senior resident averages approximately \$57.62.

Transportation Services. The total budget for the transportation services is approximately \$299,610. There does appear to be any external or grant funding although funding opportunities for the transportation of the disabled, elderly and poor exist through federal Title III grants, federal title XX funding and funding from New Jersey Transit.

The transportation section consists of six full time drivers and one part time driver. In addition to transporting seniors for shopping, medical appointments, and recreation events, the buses are used to transport youth during the summer on day trips. In 1994 there were approximately 28,318 passenger trips. The estimated cost per person transported was approximately \$10.58. Given the high cost of the service, which is borne primarily by the municipal taxpayer it is recommended the one or more of the following recommendations be adopted:

(a) Consolidate all transportation functions with Atlantic County. The county staff is already providing some transportation for seniors within the City. There is no readily apparent reason for two governments to be providing a similar service to the same clientele in the same city.

(b) Eliminate specialized transportation for mobile seniors to destinations along existing jitney routes. If necessary provide a subsidy or reduced senior rates on the jitney.

(c) Pursue Medicaid and other insurance reimbursements for trips to medical facilities, dialysis programs, etc. If the city's transportation services will not qualify for reimbursements then explore the feasibility of an amendment to the city ambulance contract to provide this service for the right to pursue Medicaid and insurance reimbursement.

Nutrition Services. In 1994, the total budget for the nutrition services was approximately \$339,230. The nutrition programs consists of a week day meals on wheels

program, a weekend meals on wheels program and a congregate nutrition program. In addition to the dietary benefits of the meals the congregate program provides opportunities for social interaction among seniors. The number of meals served at the center is limited to 60 per day. Once 60 meals are served seniors that have not been fed must go to the Salvation Army or the Rescue Mission. The recommended contribution is \$2.25 per meal which is intended to offset the costs charged to the City by the county for preparing the meals. Very little, if any, money is collected from the senior who utilize this program. The City is also eligible to receive up to \$.62 per meal reimbursement from the County should it in turn receive a reimbursement from the U. S. Department of Agriculture.

According to the contract between the Atlantic City and Atlantic County the county shall be paid an amount not to exceed \$133, 703 for the cost of food, disposable products and the preparation of the meals. The total possible reimbursement for both the meals on wheels program and the congregate nutrition program is \$33,914. In addition to the City's congregate program at the Patsy Wallace Center, the county runs a similar program at the HG Rosen and Jeffrey Towers. Both the city and the county are providing the same service.

The City pays the county an average cost of approximately \$2.52 per meal. This cost includes the charges for disposable goods, special holiday meals and other occasional modifications to the menu that can be made. The City's total cost to purchase, deliver and serve the meals is approximately \$6.39. The remaining \$3.87 per meal is spent primarily on full time salaries and wages for personnel, some of whom are performing part time tasks. It is recommended the City aggressively pursue adoption of one or more of the following recommendations:

(a) Consolidate all meal programs with the County's services to the elderly. It is quite probable that a consolidated effort that could take advantage of economies of scale could reduce the \$3.87 cost to pick up, deliver and serve the meals.

(b) The local government budget review report submitted to the Atlantic City School District proposes a competitive contracting option for the preparation of all school meals. If this recommendation is adopted, the city and the county should explore the possibility of sub-contracting with this vendor to conduct all of the meal services.

(c) Increase the requested contribution to \$2.50 cents per meal and promote collection of the fee as appropriate. The \$2.50 fee would at least recoup most of the city's cost to have the meal prepared by the county.

(d) Reduce the indirect cost of \$3.87 per meal using one or more of the following methods:

1. Restructure the staff to utilize part time personnel for those tasks that are not truly full time.

2. Pursue the use of volunteers to complete specific tasks or to take responsibility for the entire program. Many meals on wheels programs are operated by church alliances and other civic groups.

Outreach Services. The outreach program includes the distribution of food commodities in one half of the City, financial assistance for energy bills, transportation and personal assistance to seniors in need of help with a wide range of concerns, issues or problems. In 1994, the total number of client contacts was approximately 8,416. Based upon the total budget for the program the cost per client contact was approximately \$17.22. Part of this cost per person entails transportation services operate and apart from those described above. It is recommended that this duplication be eliminated. It may be possible to increase the funds used for the other outreach services if the redundant transportation costs can be eliminated.

SECTION FOUR: PROPOSED STATUTORY AND REGULATORY CHANGES

The mission of the Local Government Budget Review program to assist in the reduction of the cost of government and enhance the value of governmental expenditures is not limited to municipalities, school districts and utility authorities. Proposed changes in state statutes and regulations are an integral part of the process. The review team recommends consideration be given to the following:

1. Classification of Aides to Elected Officials. Each of the council members is assigned and supervises a full time aide. Within the Office of the Mayor there is a Chief of Staff as well as full time policy advisor. Under the current interpretation of the civil service regulations all of these employees are afforded the security and protection of the civil service. Each time an elected officials leaves office or decides to replace an aide, the size of the municipal staff grows as the former aide is reassigned. The review team estimated there are 15 to 20 former aides, many of whom are excellent employees, assigned to various offices throughout city hall.

It is recommended the current civil service regulations be modified to exempt aides and other staff members of an elected official from obtaining permanent status while serving in that capacity. It should be pointed out that this recommendation should not be construed as an endorsement of the number of aide positions that exist within Atlantic City. To the contrary, the council is strongly encouraged to consider pooling resources and reducing the overall size of the council staff. As constructive change is made in the operating departments it must also be considered in the city council offices.

2. The Impact of Casino Assessments on Tax Ratios. There is an extended history of debate and litigation over the tax equalization ratios in Atlantic County. The magnitude of the casino assessments is the basis for these disputes. One proposal has been made to segregate the casinos assessments from other business assessments and treat them as a separate category in the calculation of tax ratios. The extent to which this proposal is acceptable to the affected parties and the extent to which it will resolve the recurring problem is a matter that is more appropriately reviewed by the New Jersey Treasury Department, Division of Taxation.

The continuing existence of this costly dispute is sufficient for us to recommend the Division of Taxation give this issue serious consideration.

LOCAL GOVERNMENT BUDGET REVIEW

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